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886b.19/1-2860

FOREIGN SERVICE DESPATCH

FROM : American Embassy CAIRO

RM/R 517 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE January 28, 1960

JAN 30 1960

REF : CERP Section D, Items IV-A-2, VII-A-1, VII-A-2, VII-B-1-b; Cairo's D-500, M. 1/26/60

(This Document must be Returned to the RM/R Central Files)

For Dept. Use Only	ACTION	DEPT.
	NEA-4	INR-1 REP-1 IRC-1 ICA-11 E-7 TD-4 SCS-2
	REC'D 2-2	OTHER CIA-10 COM-10 Lab-1 Ag-1 Tsr-2 TR-3

SUBJECT: Conversation with Ministry of Industry Official, Dr. Mohamed Ezzat Salama FRB-3 ARE-1 ARMY-4 IN-7 FMB-4 NAVY-3

On January 25, 1960, two Embassy officers called upon Dr. Mohamed Ezzat SALAMA, Under Secretary of the UAR Ministry of Industry, at his office.

The ensuing conversation touched upon various topics relating to Egyptian industries (the Ministry, although nominally a Central or UAR organization, is in fact concerned almost exclusively with Egyptian industry, not with Syrian industry, which has its own Ministry).

886B.19/1-2860

CAA

PRICE CONTROLS

On the subject of price controls on local industrial products, Dr. Salama explained the absence of any apparent reflection in the wholesale price index of measures recently taken to limit or reduce prices by asserting that prices had been cut only in some instances not important enough in Egypt in volume or value of production to have had a material effect on the price index. Dr. Salama said that there had been a 50% rise in prices of locally produced items in 1958, and the Ministry had been aiming during 1959 for the most part at preventing further rises rather than at achieving reductions. He remarked that the price problem was difficult in Egypt because of lack of competition. Except for a few lines, such as textiles, there were only one or two producers in each field, who could either individually or in collusion, set prices to suit themselves. Also, in some cases, their costing systems were defective, either accidentally or by design, so that their books showed them to be making only a reasonable profit or none at all. For instance, rapid depreciation of physical assets was a widespread practice, with machinery or equipment with a useful life of perhaps thirty years being wholly depreciated in five years or less. The Ministry was engaged in developing typical cost schedules for various industries, so that it might at least have some idea of whether or not the prices charged for an industry's products were within reason. In obviously unreasonable cases, the Ministry's investigators would then proceed to examine the company's books.

It was Dr. Salama's opinion that, up to the present time, price controls had not reduced the incentive to produce, not only because, as indicated above, few actual reductions had been made and there was still plenty of water that could be squeezed out of the price structure, but also because limitations on imports had given local producers the opportunity to increase materially their volume of sales and consequently their total profits, if not their unit profit.

FrederickLundy:emm
REPORTER

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INDUSTRIAL PRODUCTION

Although the Ministry had not completed its compilation of industrial production for 1959, Dr. Salama estimated that the increase over 1958 had been about 10%. The spinning and weaving industries had done well, largely because of increased export orders, although Dr. Salama was inclined to view these export successes as something of a windfall, made possible by reductions in Japanese and Chinese exports. He was optimistic about Egypt's future chances in keeping or increasing its markets for medium and fine yarns and textiles, while admitting that Egypt could not hope to compete in the heavy yarn and textile field. The Ministry was aiming toward reducing or eliminating governmental subsidies for the yarn and textile industry. In fact, for medium and fine grades, the subsidies were still given only to give some support to the Ministry's efforts to shift production toward these grades.

RATIONALIZATION OF PRODUCTION

While discussing the difficulties experienced by Egyptian industries and Egyptian consumers, because of Egypt's shortage of foreign exchange, in getting the commodities, components, or spare parts they needed or wanted, Dr. Salama mentioned that he had set up in the Ministry an office which was acting in a liaison capacity between the market and the producer, to identify the shortages and persuade some local manufacturer to produce the desired item or items. In this connection, Dr. Salama was reminded that it might be helpful to explore the possibilities of licensing arrangements with American manufacturers in order to start local production of products for which foreign exchange was not available.

PRIVATE INDUSTRY PARTICIPATION IN FIVE-YEAR PLAN

Contrary to the impression given in newspaper accounts (and so reported in Cairo's D-500, Quarterly Economic Summary, January 26, 1960), private industry's participation in Egypt's Second Five-Year Industrialization Program will not be limited to LE 25 million (LE 5 million per year). This is the amount of new industrial investment that will be licensed outside the Plan.

Within the Plan, private investors are presumably welcome to participate as much as they like, except perhaps in some industries or plants of which the Government wishes to keep complete or partial ownership.

John W. Foley, Jr.
First Secretary of Embassy

Approved:
Roswell H. Whitman
Counselor for Economic Affairs

cc to: Alexandria, Damascus, Aleppo, Port Said

00568

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Authority NND 949570
By CD NARA Date 8/4/00

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886b.19/2-560
FEB. - 9 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul DAMASCUS

417
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 5, 1960
DATE

REF : CERP Section D, Items VII-A-1, VII-A-2, and VII-A-5; Consulate General Despatch 228 of November 14, 1959

	ACTION	DEPT.
9 For Dept. Use Only	Conm-10	INFO Ref-1 IRC-8 NEA-4 E-3 ICA-11
	REC'D 2-12-60	OTHER CIA-10 TR-3 FRB-3 Ag-8 IN-7 TAR-2

SUBJECT: Industries Licensed in the Syrian Region: October 8, 1958 to End 1959

The Consulate General submits as enclosure one a list of industrial projects licensed by the Ministry of Industry in the Syrian Region from October 8, 1958 to December 31, 1959 as published by Syrian Commercial Information Agency (SCIA) on January 20, 1960.

This list shows that there were 378 (228 new and 150 expanded) industries licensed during the said period with a total invested capital estimated at LS 51.8 million*. The report added that these industries would make available products which were formerly imported by the Syrian Region and would save the equivalent of LS 65 million in foreign exchange annually.

The enclosure attached shows the estimated number of workers that these new or expanded industries are expected to absorb. It also notes significant changes from those reported in the reference despatch.

For the Consul General:

Philip E. Haring
American Consul

Enclosure:
Industrial Projects
Licensed in the Syrian
Region between October 8,
1958 and December 31, 1959

Copies sent to: Amembassy CAIRO
Amconsul ALEPPO

* The number of industries licensed between October 1958 and September 1959 (See reference despatch) totaled 314 with an estimated capital investment of nearly LS 52.5 million.

FTawil/mf
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By CD NARA Date 8/4/00

Industrial Projects Licensed in the Syrian Region between October 8, 1958 and December 31, 1959

Nature of Industry	No. of Projects New	Expanded	Capital in LS 1,000	No. of Workers
I - TEXTILE INDUSTRIES:				
Weaving	7	6	812.70 (3,000)**	190
Cotton spinning and weaving	1	1	16,592.75 (15,000)**	1,200
Knitting	2	24	995.75	100
Woolen textiles	2	1	4,720.00 (3,720)**	300
Underwear	1	7	523.00	40
Automatic carpet weaving	1	1	1,310.00	20
Textile dying	-	1	55.00	10
Jersey	-	4	191.00	10
Textile polishing	1	3	108.50	15
Nylon hosiery, ladies	-	5	573.00	20
Automatic embroidery	1	-	300.00	15
Yarn twisting	1	1	105.00	8
Cording	1	6	155.00	10
*Yarn gluing	1	1	144.00	5.
Blankets	1	-	300.00	40
Cotton ginning	-	5	1,977.00	40
Cotton and gauze, medical	1	-	100.00	10
*Hessian belts	2	1	107.50	9
*Rubber bands	1	-	17.00	3
*Wool carding	5	-	105.05	15
Rag carding	-	2	7.00	6
*Woolen yarn twisting	-	1	15.00	3
Sub Total	29	70	29,213.75	2,079

* Not reported in despatch 228 of November 14, 1959.

** As reported in despatch 228 of November 14, 1959.

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By LD NARA Date 8/4/00

Nature of Industry	No. of Projects New	No. of Projects Expanded	Capital in LS 1,000	No. of Workers
II - ALIMENTARY INDUSTRIES:				
Vegetable oils	20	2	521.80 (3,372)**	100
Conserve	1	1	460.00	8
Candy	2	6	198.00	30
Biscuits	2	1	512.50	50
Gaseous waters	-	7	226.13	25
Ice	-	2	27.00	20
Perfume concentrates	1	-	15.00	3
Cereal mills	73	12	848.55	200
Dregs of sesame oil	1	-	5.00	5
*Walnut washing and classification	-	1	30.00	3
Alcoholic drinks	2	-	42.80	5
Sub Total	102	32	2,886.78	449
III - CHEMICAL INDUSTRIES:				
Medical preparations	7	-	383.50	25
Batteries	2	-	350.00	30
Plastic products	3	3	547.50	20
Soap	-	2	390.00	30
Sanitary towels	1	-	39.00	10
Rubber shoes	-	3	6,084.00	30
Glass	1	-	33.35	5
Leather gloves	1	1	28.00	3
Candles	1	-	25.00	5
Cosmetics	2	-	69.00	10
*Tire recapping	-	1	9.00	5
*Paints	-	1	15.00	2
Sub Total	18	11	7,973.35	175

* Not reported in despatch 228 of November 14, 1959.

** As reported in despatch 228 of November 14, 1959.

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Authority NND 949570
By CD NARA Date 8/4/00

Nature of Industry	No. of Projects New	No. of Projects Expanded	Capital in LS 1,000		No. of Workers
IV - ENGINEERING INDUSTRIES:					
Metal textiles	1	-	100.00		20
Metal lathing	23	10	503.30		100
Metal utensils	1	-	8.00		2
Metal furniture	2	2	201.00		20
Nails	1	2	64.50		15
Pins and staples	2	-	60.00		6
Tin containers	-	4	710.00		45
Iron casting	1	-	1,000.00		41
Mineral smelting and casting	-	1	60.00		10
*Gold and silver jewelry	1	-	40.00		3
*Hairpins	2	-	45.50		6
*Hosiery staples	1	-	14.00		1
*Mineral coating	1	-	15.00		3
Tiles	2	5	76.75		36
Marble sewing	3	1	91.00		10
Stone crushing	24	2	406.38		100
Mechanical sawmills	3	1	55.75		15
Neon lights	1	-	10.00		3
Power generation	1	1	6,900.00		6
Electric chandeliers	1	1	50.00		15
Printing presses	4	5	355.00		18
Wireless set assembly	1	-	150.00		25
Bone and mother-of-pearl buttons	2	-	68.00		6
Refrigeration	1	1	714.00		20
*Tooth brushes	-	1	35.00		30
Sub Total	79	37	11,733.18		558
Grand Total	228	150	51,807.06	(52,479)**	3,261
Grand Total reported by SCIA	228	150	51,677.95		3,222

Source: SCIA of January 20, 1960.

* Not reported in despatch 228 of November 14, 1959.

** As reported in despatch 228 of November 14, 1959.

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By CP NARA Date 8/4/00

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FOREIGN SERVICE DESPATCH

FROM : AmConsul ALEPPO RM/R 121 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE February 10, 1960

REF : CERP Section D-IV - A - 3 and IX A - 1. IO-4

19 For Dept. Use Only	ACTION	DEPT.
	NEA-4	REP-1 RM/R-2 EUR-6 ICA-11 IRR-8 E-7
	REC'D 2-15	INFO OTHER CIA-10 Com-10 IN-7 FRB-2 FAR-2 Army-6 Navy-2 AEC-6

SUBJECT: Syrian Minister of Industry Inaugurates Aleppo Directorate of Industry and Discusses Industrialization Plans.

BEGIN UNCLASSIFIED: Wajih Samman, the Syrian Minister of Industry, officially opened the Aleppo Directorate of Industry on February 8. The Director is Dr. Taha Bali, also Director of Economy and Trade here.

The Minister described the functions of the new Directorate as follows: studying the industrial requirements of Northern Syria with a view to executing the economic development policies enumerated by President Nasser; directing exploration for minerals and petroleum.

Discussing the first 5 Year Plan for Syria, begun in 1959, he stated that the governmental project of constructing petroleum storage units in Damascus, Aleppo, Hasaka and Deir-ez-Zor would be completed in July of the current year. He also mentioned a project to connect these storage points with the Homs refinery, vocational training projects for Damascus and Aleppo, the construction of a fertilizer factory in Homs, quoting President Nasser as having stated that the entire 5 Year Plan will have been completed in three years. He added that 110,000,000 pounds ($1.00 equals approximately 3.60 pounds Syrian) of the estimated 560,000,000 pounds required for the plan "have been secured".

Regarding the Rajo iron deposits (Despatch No. 116 dated February 5, 1960) which he visited on February 9, he implied that there is a large group of Soviet technicians conducting exploration and tests in that area, that the experts have discovered a bed containing 16 million tons of "iron" (previously referred to by local officials as iron ore), and that the ore in their area tested to date has contained from 25% to 50% iron content. END UNCLASSIFIED.

BEGIN OFFICIAL USE ONLY: Comment: The Minister followed the current practice of visiting officials of receiving representatives of a considerable cross section of local industry to hear their views. His remarks concerning Soviet technicians at the Rajo iron site are of interest since the local press has in the past tried to convey the impression that this site was discovered and explored by U.A.R. technicians. The Director of the Central Bank has confirmed the presence of the Soviet technicians at the mine site. END OFFICIAL USE ONLY

Philip W. Ireland
American Consul General

Copies to: Cairo, Damascus

J.T.Wheelock:am
REPORTER

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886B.19/3-1260
MAR. 15 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul DAMASCUS

RM/R 482
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 12, 1960

REF : CERP Section D, Items I-A-3, II-A-3, III-A-1, IV-A-1, IV-A-2, IV-A-3, IV-A-5, IV-A-6, VI-A-2, VII-A-1, VII-A-2, VII-A-5, IX-A-1, IX-A-2 and IX-B-2

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ACTION DEPT. NEA-4 GE-1 RM/R-2 REP-1 IRC-8 E-7 ICA-11 L-2 IO-4

INFO OTHER RMB-4 AG-10 IN-7 HEW-2 LAB-6 USIA-10 CIA-10 OSD-4 COM-12 TAR-2 TR-3 FRB-3 DMS-2 ARMY-6 NAVY-3

REC'D 3/18

SUBJECT: Broad Lines of the Second Industrialization Plan for the Syrian Region

The broad lines of the Second Industrialization Plan for the Syrian Region were reported by the Syrian Commercial Information Agency (SCIA) on March 6, 1960.

The breakdown of this plan's projects and their estimated cost are as follows:

Projects	Number	Estimated Cost
Petroleum	5	LS 87.5 million
Mining	18	LS 30 million
Engineering	11	LS 13 million
Chemical	16	LS 27.3 million
Food	10	LS 15 million
Textiles	4	LS 3.7 million
Total	64	LS 276.5 million

1960 MAR 21 AM 8 NEA/RA REGISTRY File Ch Mar. 24 1960

Under the above mentioned topics, SCIA reported the following planned major projects:

Petroleum - Exploitation of natural gas, expansion of storage depots for petroleum products in main cities, and the establishment of mineral oil industry.

Mining - Completion of topography and geology maps, and completing prospection operations for mineral ores such as iron, chromium, manganese, phosphate, and copper.

Engineering - The manufacture of engines, transformers, steel pipes, spoons, forks and knives, Arab-type furniture and modern furniture.

Chemical - The manufacture of medicines and antibiotics, paints, plastic products, tires and tubes for bicycles and the expansion of the glass industry.

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FTawil/mf
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MAR. 15 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul DAMASCUS

RM/R 482
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 12, 1960

REF : CERP Section D, Items I-A-3, II-A-3, III-A-1, IV-A-1, IV-A-2, IV-A-3, IV-A-5, IV-A-6, VI-A-2, VII-A-1, VII-A-2, VII-A-5, IX-A-1, IX-A-2 and IX-B-2

15 For Dept. Use Only	ACTION	DEPT.
	NEA-4	RM/R-2 REP-1 IRC-8 E-7 ICA-11 L-2 IO-4
	REC'D 3/18	INFO OTHER XMB-4 AG-10 IN-7 HEW-2 LAB-6 USIA-10 CIA-10 OSD-4 COM-12 TAR-2 TR-3 FRB-3 DMS-2

SUBJECT: Broad Lines of the Second Industrialization Plan for the Syrian Region

ARMY-6
NAVY-3

The broad lines of the Second Industrialization Plan for the Syrian Region were reported by the Syrian Commercial Information Agency (SCIA) on March 6, 1960.

The breakdown of this plan's projects and their estimated cost are as follows:

Projects	Number	Estimated Cost
Petroleum	5	LS 87.5 million
Mining	18	LS 30 million
Engineering	11	LS 13 million
Chemical	16	LS 27.3 million
Food	10	LS 15 million
Textiles	4	LS 3.7 million
Total	64	LS 276.5 million

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File Ch

Mar. 24 1960

Under the above mentioned topics, SCIA reported the following planned major projects:

Petroleum - Exploitation of natural gas, expansion of storage depots for petroleum products in main cities, and the establishment of mineral oil industry.

Mining - Completion of topography and geology maps, and completing prospection operations for mineral ores such as iron, chromium, manganese, phosphate, and copper.

Engineering - The manufacture of engines, transformers, steel pipes, spoons, forks and knives, Arab-type furniture and modern furniture.

Chemical - The manufacture of medicines and antibiotics, paints, plastic products, tires and tubes for bicycles and the expansion of the glass industry.

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MAR 24 1960

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Food - Preparation of animal fodder, olive oil refining, fruit and vegetable classification, and refrigeration and storage of foods in Latakia.

Textiles - Knitwear industries for cotton, rayon, and wool and a project for tailoring and sewing of clothes.

For the Consul General:

Philip E. Haring
American Consul

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886A.19/3-1660
MAR. 16 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul DAMASCUS

486
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 16, 1960

REF : CERP Section B, Items IV-B-1-a and b, Section D, Items V-A-1; VI-A-2; VII-A-1, 2, 5 and 6; and VIII-A-6; Amconsulate General Transmittal Slip of 9/1/59 and Despatch 417 of 2/8/60. - com

15 For Dept. Use Only	ACTION	DEPT.	REP-1 IRC-8 NEA-4 E-7 ICA-11
	REC'D 3/21	INFO	ARMY-6 NAVY-2 CIA-10 TAR-2 TR-3 FRB-3 AG-10 IN-7 LAB-6

SUBJECT: Syrian Industrial Force at the End of 1959; Industries Licensed and under Construction; and Industrial Production in 1958

For the first time of record comprehensive data on the industrial force in the Syrian Region have been compiled. They were published in Syrian Commercial Information Agency bulletin of March 7, 1960 and are transmitted as Enclosures one to eight of this despatch.

At the end of 1959, a total 3,377 industrial firms with an invested capital of LS 362,577,400 and a labor force of 42,866 were in operation in the Syrian Region. (See Enclosures one to four).

Eighteen new textile mills are under construction at present; in addition, 81 existing mills under expansion. These industries with an invested capital of LS 80,316,000 will employ an estimated 2,751 workers when completed (See Enclosure five).

A slight amendment to the table of industries licensed by the Ministry of Industry between October 8, 1958 and December 31, 1959 as reported in Consulate General Despatch 417 of February 8, 1960 is shown in Enclosure six.

231 industrial projects with an invested capital of LS 9,542,200 and a labor force of 1,419 were completed during 1959 as shown in Enclosure seven.

Enclosure eight shows production of principal industries in the Syrian Region during 1958 which supplements partial data reported on page 230 of the 1958 Statistical Abstract for the Syrian Region. (Transmittal Slip of September 1, 1959).

For the Consul General:

Philip E. Haring
American Consul

886B.19/3-1660

APR - 8 1960

LWS

Enclosures: 1. Chemical Industries in the Syrian Region at the End of 1959

F. Tawil
FTawil/mf
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2. Food Industries in the Syrian Region at the End of 1959.

3. Principal Miscellaneous Mechanic Industries in the Syrian Region at the End of 1959.

4. Textile Industries in the Syrian Region at the End of 1959.

5. Textile Industrial Mills Licensed by the Ministry of Industry and at Present under Construction.

6. Industries Licensed by the Ministry of Industry between October 8, 1958 and December 31, 1959.

7. Industrial Projects Completed in the Syrian Region During 1959.

8. Production of Principal Industries in the Syrian Region during 1958.

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Amconsul ALEPPO

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By CP NARA Date 8/4/00

Abbreviations used in enclosures one through eight:

Cu. M.	=	Cubic meters	Lt.	=	Liters	Ft.	= Foot
Doz.	=	Dozen	M.	=	Meter	n.a.	= Not available
Kg.	=	Kilogram	M.T.	=	Metric ton		

Chemical Industries in the Syrian Region at the End of 1959

Industry	No. of Firms	Capital Invested LS 1,000	Labor Force Employed	Annual Production Capacity (300 days)	Unit of Production
Soap	83	11,027	1,079	134,500	M.T.
Cement	2	22,320	727	436,500	M.T.
Tanning	115 a/	2,954	722	10,800 & 11,700,000	M.T. Sole leather & Ft. Upper leather
Match	5	1,255	352	89,910,000	40 Match wood boxes
				2,340,000	20 Match wax boxes
Medicines	16 b/	1,658.5	146	n.a.	c/
Liquid gas	2	700	10	612,000	Cu. M.
Glass	2	850	760	23,400	M.T.
Yarn and textile starching	2 d/	19.4	15	3,600	Kg.
Textile dyeing	21	17,200	54	n.a.	-
Gypsum	7	37	35	22,500	M.T.
Alcohol	2	1,500	15	1,800	Kg.
Total	257	59,520.9	3,915		

Source: SCIA, March 7, 1960.

a/ Of which a big number are primitive-type tanneries.

b/ Two of which will start production on September 23, 1960.

c/ In view of assortment of production, capacity cannot be defined briefly.

d/ One is expected to start production on July 25, 1960 and the other on October 4, 1960.

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DECLASSIFIED
Authority NND 949570
By CD NARA Date 8/4/00

Food Industries in the Syrian Region at the End of 1959

Industry	No. of Firms	Capital Invested LS 1,000	Labor Force Employed	Annual Production Capacity (300 days)	Unit of Production
Sugar refining	2	20,000	700	90,000 from raw sugar 18,000 from beet	M.T. M.T.
Confectionary	147 a/	1,556	806	45,000	M.T.
Chocolate	15	969	331	36,000	Kg.
Biscuits	13 b/	1,374	333	14,400	M.T.
Macaroni	6	605.4	116	11,700	M.T.
Conserves	4 c/	2,260	123 d/	6,000	M.T.
Yeast	1	450	15	360	M.T.
Vegetable oil	23 e/	26,557.6	885	37,800	M.T.
Olive oil	277 f/	7,482.8	1,980	25,920	M.T.
Soft drinks	69 g/	2,997	403	92,547,000	Bottles
Alcohol	48	1,500	408	10,260 h/	M.T.
Beer	2	2,350	60	3,240,000 h/	Bottles
Corn starch	1	1,235	15	- i/	-
Ghee	1	n.a.	n.a.	2,430 i/	Kg.
Total	609	69,336.8	6,175		

Source: SCIA, March 7, 1960.

a/ Eight of which are expected to start production at the end of 1960.

b/ One of which is expected to start production in early 1960.

c/ Six other small firms produce jams and dried fruits.

d/ Labor force is doubled during picking season.

e/ Three of which would start production at the end of 1960.

f/ 19 of which would start production at the end of 1960.

g/ Five of which would start production at the end of 1960.

h/ During 180 work days.

i/ Not in operation at present, owing to inability to dispose of their production on the local market.

00580

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By CD NARA Date 8/4/00

Principal Miscellaneous Mechanic Industries in the Syrian Region at the End of 1959

Industry	No. of Firms	Capital Invested LS 1,000	Labor Force Employed	Products Manufactured
Metal lathing and machinery	430	15,000	2,500	Water pumps, spare parts and general repairs.
Rubber Shoes	8	4,500	750	Rubber shoes and boots, sport shoes, and soles and heels.
Tiles and marbles	120	3,750	1,350	Floor tiles, marble polishing and stone mosaic work.
Plywood	3	3,450	300	Plywood.
Cans and tins	16	2,750	3,000	Cans and tins from tinplate.
Steel furniture	26	1,250	250	Steel cabinet, chairs, tables, etc.
Washing machines	3	700	30	Electric, for home use.
Plastic products	12	700	125	Bags, household utensils, pipes, etc.
Nails	4	500	30	Various-size nails.
Batteries	1	500	23	For automobile use.
Kerosene pressure stoves	1	250	25	Kerosene pressure stoves and heads therefor.
Recorders	1	100	10	Tape recording machines.
Refrigerators	1	100	11	Electric, for home and shop use.
Chandeliers	1	50	20	Metal chandeliers and table lamps.
Total	627	33,600	8,424	

Source: SCIA, March 7, 1960

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By CD NARA Date 8/4/00

Textile Industries in the Syrian Region at the End of 1959

Industry	No. of Firms	Capital Invested LS 1,000	Labor Force Employed	No. of Machines in Operation	Annual Production Capacity Round-the-Clock (300 days)	Unit of Production
Cotton ginning	126 a/	34,138.7	5,107	2,832	504,918	M.T.
Cotton textiles	8	53,000 b/	3,350	97,000	13,860	M.T.
Rayon textiles	1,149	68,836 b/	10,238	7,192	181,746	1,000 M.
Underwear	52	4,092	1,000	326	4,598.1	M.T.
Textiles dyeing and printing	34	23,013.5	717	207	39,782.8 35,072.3	1,000 M. M.T.
Cotton gauze	2	15.5	6	5	462.6	M.T.
Textile polishing and ironing	39	365.5	205	57	123,560	1,000 M.
Yarn twisting	84	706.1	466	230	2,323 4,127.4	M.T. 1,000 shoe laces
Hand weaving	50	492	209	571	48,582	1,000 M.
Woolen textiles	2	692.5	134	3,000	540	M.T.
Rag carding	23 c/	3,636	382	37	54,270	M.T.
Cloth lining	4	1,903	141	49	410,400	M.
Knitwear textiles	225	3,094.7	1,041	712	2,625,200	M.
Silk, raw	5	129.7	192	-	63	M.T.
Socks	85	3,596	820	643	1,931,400	Doz.
Stockings	6	2,410	344	580	495,000	Doz.
Total	1,894	200,119.7	24,352			

Source: SCIA, March 7, 1960.

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a/ 16 firms of which are raw wool carding mills who use old ginning machines.

b/ A big number of firms have not stated their capital investments and are not included herein.

c/ Most of these firms own ginning machines.

00582

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Textile Industrial Mills Licensed by the Ministry of Industry and at Present under Construction

Industry	No. of Firms	Capital Invested LS 1,000	Estimated Labor Force To Be Employed	No. of Machines in Operation	Annual Production Capacity Round-the-Clock (300 days)	Unit of Production
A. New Projects:						
Cotton ginning	1	35	25	n.a.	1,980	M.T.
Cotton spinning and weaving	2	19,000	-	44,000 spindles	7,500	M.T.
				384 looms	3,000	M.T.
Cotton textiles	1	14	3	4 looms	30,600	M.
Cotton underwear	1	19	-	3 looms	9,900	Kgs.
Textile dyeing and printing	4	4,500	150	40	3,500	1,000 M.
Hand weaving	3	37	11	43	30	1,000 M.
Woolen spinning and weaving	3	9,500	950	9,000 spindles	2,232	M.T.
				230 looms	5,000	1,000 M.
Woolen knitwear textiles	3	50	9	8 looms	70	M.T.
Sub Total	18	33,155	1,148			
B. Industries Under Expansion:						
Cotton ginning	5	2,235	315	51,185	31,727	M.T.
Cotton spinning	5	18,000	800	65,000 spindles	11,500	M.T.
Cotton textiles	12	20,000	200	1,000 looms	7,000	M.T.
Cotton underwear	5	419	87	20 looms	1,200	M.T.
Textile dyeing and printing	1	4,150	10	1	27,000	M.
Textile finishing and ironing	2	85	9	2	7,000	1,000 M.
Hand weaving	11	149	26	51	40	M.T.
Woolen textiles	1	200	25	10	144	1,000 M.
Woolen knitwear textiles	34	1,150	99	65	1,300	M.T.
Hosiery	5	773	32	27	45,000	Doz.
Sub Total	81	47,161	1,603			
Grand Total	99	80,316	2,751			

Source: SCIA, March 7, 1960

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By CP NARA Date 8/4/00

Industries Licensed by the Ministry of Industry
between October 8, 1958 and December 31, 1959

Amend Enclosure one to Despatch 417 of February 9, 1960 to Read:

	No. of Projects New	No. of Projects Expanded	Capital in LS 1,000	No. of Workers
I - TEXTILE INDUSTRIES:				
Weaving; and cotton spinning and weaving	9	7	17,214.45	1,400
Woolen textiles	2	1	3,720.00	300
Textile polishing	2	2	108.50	15
Yarn glueing	1	1	14.40	5
*Rubber band coating	1	-	39.50	3
Sub Total	32	69	27,932.65	2,092
II - ALIMENTARY INDUSTRIES:				
Vegetable oils	24	2	587.80	120
Gaseous waters	1	7	239.13	25
Ice	2	2	39.00	22
Cereal mills	124	12	1,326.40	220
*Lentil and barley preparation	3	3	24.70	12
Sub Total	163	35	3,480.31	503
III - CHEMICAL INDUSTRIES:				
Medical preparations	8	-	397.00	25
*Hide leather tanning	1	-	100.00	15
Sub Total	20	11	8,068.85	190
IV - ENGINEERING INDUSTRIES:				
Metal lathing	25	10	513.30	106
Stone crushing	25	2	414.38	100
Power generation	1	1	6,808.82	6
Electric chandeliers	1	1	48.80	15
Printing presses	5	5	367.40	18
Tooth brushes	-	1	35.00	3
Sub Total	83	37	11,671.20	537
Grand Total	298	152	51,153.01	3,322

Source: SCIA, March 7, 1960

* Not mentioned in despatch 417 of February 8, 1960.

00584

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Authority NND 949570
By LD NARA Date 8/4/00

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(Classification)

Industrial Projects Completed in the Syrian Region During 1959

Industry	No. of Firms	Capital Invested LS 1,000	No. of Workers	Annual Production Capacity Round-the-Clock (300 days)	Unit of Production
Weaving	3	89.5	17	1,269	1,000 M.
Cotton spinning and weaving	3	2,300	300	2,664	M.T.
Knitwear	13	332.5	44	642,600	Units
Underwear	4	678	20	169.1	M.T.
Textile polishing	1	50	4	900	Rolls
Hosiery, men's	1	80	3	17,100	Doz.
Yarn gumming	1	10	6	2,520	1,000 M.
Raw wool cleaning	3	148	62	7,236	M.T.
Hand weaving	7	81.7	13	5,013	1,000 M.
Cotton ginning	3	42	29	1,332	M.T.
Rag carding	1	4	2	144	M.T.
Vegetable oils	1	4.5	2	90	M.T.
Olive oil	16	293	93	1,360.5 a/	M.T.
Gaseous waters	3	115	10	8,820,000 b/	Bottles
Ice	2	37	9	4,320 c/	M.T.
Flour milling	67	778.5	136	117,600	M.T.
Lentil and barley grinding	4	36.2	9	1,620	M.T.
Conserve	2	79.5	8	756	M.T.
Biscuits	3	18.5	25	1,030	M.T.
Alcoholic drinks	1	6	4	450	M.T.
Medical preparations	5	526	65	-	-
Plastic products	2	59.5	23	3,528,000.00	Units
Soap	2	219	23	223,200	M.T.
Leather gloves	1	25	3	32,400	Pairs
Electric wire tubes	1	80	3	7,200	Units
Sole leather tanning	1	100	15	315	M.T.
Metal lathing	22	270.8	59	-	-
Compressors	1	20	6	720	M.T.
Metal chains	1	50	8	990	1,000 M.
Metal utensils	2	23	11	81,000	Pieces
Metal furniture	4	223	56	86,400	Pieces
Nails	1	50	6	180	M.T.
Tin containers	1	47	5	2,880,000	Pieces

a/ Production during two months only.
b/ Production during seven months only.
c/ Production during six months only

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By CP NARA Date 8/4/00

Production of Principal Industries in the Syrian Region during 1958*

Industry	Production	Unit of Production
Cement	408,115	M.T.
Natural asphalt	29,323	M.T.
Oxygen	2,002,884	Cu. M.
Underwear	1,218	M.T.
Rubber shoes	1,198	1,000 Pairs
Woolen cloth	123,411	M.
Biscuit	495	M.T.
Tobacco and tombac	2,908	M.T.
Knitwear cloth	685	M.T.
Hosiery	287	1,000 Pairs
Paints	576	M.T.
Glass	12,633	M.T.
Olive oil	14,585	M.T.
Vegetable oil	12,600	M.T.
Sugar	56,667	M.T.
Vegetable ghee	2,620	M.T.
Alcoholic drinks	3,622	M.T.
Chocolate	410	M.T.
Soap	18,650	M.T.
Cotton yarn	9,327	M.T.
Rayon yarn	3,000	M.T.
Electric power	300,000	1,000 KW.
Matches	813,350	Gross
Conserve	2,860	M.T.
Macaroni	1,680	M.T.
Salt	?	M.T.
Rayon and cotton textiles including some silk textiles	22,000	M.T.
Cigarette paper	129,383	1,000 Books
Centrifugal pumps	3,000	Unit
Vertical pumps	1,000	Unit
Plywood	2,300	Cu. M.

Tinplate containers:	1956	1957	1958	
Cans	3,200	4,000	3,493	100 Units
Tins	1,100	1,200	1,338	100 Units
Washing machines	2,000	2,300	2,850	Unit
Batteries, automobile	3,000	4,100	5,000	Unit

Source: SCIA, March 7, 1960.

* See page 230 of Statistical Abstract, 1958 (Transmittal Slip of September 1, 1959) for 1954 - 1957 production data.

00586

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Authority NND 949570
By CD NARA Date 8/4/00

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XR 886b.354

FOREIGN SERVICE DESPATCH

FROM : American Consulate, PORT SAID 124
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 23, 1960
DATE

REF : CERP: Section D, Items I-A-6 and VII-B-1b Damascus - 1 L.I.M.

For Dept. Use Only	ACTION	DEPT.
	REC'D 3-30	INFO OTHER

SUBJECT: WOOL YARN AND THREAD FACTORY TO BE BUILT AT PORT SAID

Begin OFFICIAL USE ONLY

Acting on information received that a wool yarn and thread factory was to be built in Port Said, the reporting officer yesterday called on Mr. Abdu Noujaim (of the firm of E. & A Noujaim, Merchants Customs Clearance and Forwarders) who was said to have an interest in the proposed plant.

Mr. Noujaim confirmed that such a plant was to be built in Port Said, and that construction of the plant facilities would begin after Little Bairam (i.e. probably in April). The factory will be located on the west side of the Interior Basin in an area dedicated by President Nasser on Victory Day, December 23, 1958, as an "industrial city." According to Mr. Noujaim the factory will employ about 700 people, and will process Syrian and Australian wool into various grades of wool yarn and thread.

Mr. Noujaim stated that the new company's capital would be LE 350,000, of which LE 200,000 would be put in by Syrian industrialists. The Noujaim family would invest LE 40,000. Other special citizens of Port Said would subcribe another LE 10,000, and the remaining LE 100,000 would be raised by public subscription.

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Begin LIMITED OFFICIAL USE

Mr. Noujaim stated that the Syrian industrialists involved had money in Egypt which they could not transfer to Syria. The Government suggested instead that they use it to start a factory in Port Said. Mr. Noujaim then went on to explain that the Government was most anxious to set up a factory here in order to show the people that it was bringing in industries to create employment. When the Syrians came to Port Said to look the ground over, he (Noujaim) got interested in the project.

Mr. Noujaim stated that the machinery for the plant would be obtained from East Germany. He said that many people recognized that American or certain Western equipment was much better, but that "one had to take what was available." The East Germans were offering the machinery on long term credit at 2.5 percent interest. He, Noujaim, was a representative for Westinghouse, but even that firm admitted that there was no way they could meet the East German terms. He did hope, however,

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APR 19 1960

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By CP NARA Date 8/4/00

that the new company could sell its product in several hard currency countries.

Comment: The Consulate is under the impression that a plant similar to the one Mr. Noujaim describes was included in the first Five Year Plan. The "industrial city" which President Nasser dedicated with much fanfare in 1958 has stood accusingly empty for over a year now. It may well be that the recent "football riots" with their underlying current of economic discontent 1/ has moved the Government to take some action in starting up a few small industries in Port Said. This week's press also spoke of a heavy textile plant, i.e. to manufacture canvas and heavy cloth for ships, to be built in Port Said. Mr. Noujaim, however, passed this off as so much newspaper talk.

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Chester E. Beaman
Chester E. Beaman
American Consul

1/ See Condesp. 98, January 27, 1960.

cc - Cairo, Alexandria

Dept. please pass to Damascus, Aleppo , Berlin

78

00588

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By CO NARA Date 8/4/00

Air
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : American Embassy, CAIRO

938
DESP. NO.

June 22, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Cairo's D-873,5/27/60,D-901,6/10/60,D-868,5/27/60 and Alexandria's D-272,6/16/60 and D-270,6/16/60; Port Said's D-170,6/8/60

JUN 25 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 6/29	INFO OTHER

E-7 Rep-1-RM/R-2-SRC-7-Nea-4-L-2-ECA-11
Com-10-FTC-2-Cia-10-army-3-navy-3
TAR-2-LAB-6-USIA-10
Ag-8-TR-3-FRB-2-XMB-4

SUBJECT: The Progress of Nationalization in Egypt.

The nationalization on May 24, 1960, of four Egyptian newspaper publishing houses and all privately owned Cairo bus companies has revived and intensified the flow of rumors speculatively identifying the next neck or necks to feel the ax. On the list have been (1) owners of agricultural land (rumor foresees a reduction in the 200-feddan maximum holding); (2) owners of apartment and/or office buildings; (3) motion picture theater owners, and motion picture distributors; (4) cotton manufacturing firms; (5) cotton exporters; (6) private hospitals; (7) the remaining private bus companies (provincial companies and urban companies in cities and towns other than Cairo); (8) trucking companies; and (9) petroleum marketing companies.

Local observers known to the Embassy are convinced that on or before July 23, perhaps in connection with the celebration of the revolution, there will be announced at least two new nationalizations and perhaps more. The leading candidates seem to be motion picture distributors, at least, if not cinemas as well, and apartment and/or office buildings.

The local distributor for an American motion-picture company is convinced that his days are numbered. After the press nationalization, which, according to an explanatory note attached to the nationalization decree, was a consequence of "the necessity that the people should own all means of social and political guidance in a democratic, socialist, and cooperative society," and, according to President Nasser, was a means of redressing the deplorable tendency of the press to concern itself with sex, society doings, political advertising, and inaccurate reporting, the nationalization of motion picture distribution and cinemas would seem to be a not entirely illogical next step. If motion pictures, like the press, are to be used as a means of social and political guidance in Egypt and if sex, society, and other "trivia" are to be eliminated from them, the Government will have to undertake their distribution and showing, since the realization of a profit by private enterprisers under such circumstances would be highly unlikely.

In regard to buildings, a Coptic businessman in Cairo, who apparently acts as a man-of-business or agent for other wealthy Coptic families and among other things is concerned with real-estate dealings, reports that when two Cairo businessmen recently went to the Registry Office to conclude the transfer of title on an apartment building, they were told that the Registry Office was under orders not to record any transfers of title on property costing more than LE 10,000 until after July 23. The freezing of real estate transfers, including agricultural land transfers, has been confirmed from other sources.

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By CN NARA Date 8/4/00

Although the depressed Cairo stock market for other reasons is not necessarily a good reflection of reaction to nationalization, there have been some interesting movements in stock prices since the press and bus company nationalizations, which appear to be consonant with some of the prevailing rumors. The market, as a whole, judging from a list of 25 stocks on which more-or-less regular quotations can be obtained, sustained between May 24 (the last exchange day before the announcement of the latest natinnalization) and June 9 an average loss of 26 piasters per share on a May 24 average valuation of LE 6.140 per share. However, the land and buildings companies on this list lost an average of 62 piasters per share (May 24 average valuation LE 7.840) and the yarn and textile manufacturing companies lost 43 piasters per share (May 24 average valuation LE 8.620). In view of the prosperity of most of the companies in these two categories, there would seem to be some other factor or factors in the market reaction other than the restrictive limitations on stock companies which have kept the whole market list in a gradual decline since the passage of Law No. 7 of 1959.

Private petroleum marketers in Egypt are not overly optimistic about their future, although they have not yet conceded defeat. A straw in the wind was the recent change in the Board of Directors of the Egyptian Cooperative Petroleum Society (Societe Cooperative des Petroles), which seems to have consolidated the Government's control over this nominally private Egyptian petroleum marketing company (see Cairo D-908, 6/13/60). The actual status of ownership of the company and the extent of government equity participation are not clear, but the company is now indisputably government.managed.

While cotton exporters discount heavily the rumors of nationalization in their field, claiming that the Government knows full well it could not carry on the specialized and complex business of marketing Egyptian cotton abroad, it cannot be said that the Nasser Government has previously shown itself adverse to rushing in where angels fear.totread. Cotton exporting is probably the most important remaining sector of private business in Egypt, and any person or any group whose head or heads can be perceived above those of the crowd are likely candidates for the Government's democratic, socialist, cooperative ax. Moreover, if, as the Government has claimed, the people should own the banks because it is the people's deposits which make banks powerful, and if the people should own the press because the press should express the people's will, then there is no reason why the people should not also export the cotton, since they grow it. Whether or not outright natinnalization is the result, there is little doubt that government control over all phases of cotton production and marketing, internal and external, will continue to increase.

In the field of transportation, there has recently come to light a governmental action which passed unnoticed at the time it was taken (December, 1959). By Presidential decree, the General Inland Transport Authority (a central government body, not to be confused with the Cairo General Transport Organization, the municipal body which took over the Cairo bus companies) sequestered one provincial bus company, the Fayum line, and nationalized two others, the Fuadiya and Minufiya lines. The Authority admits that it has plans to nationalize three more provincial lines in the near future but will not divulge their names. The sequestration of the Fayum line is expected to result, or already has resulted, in nationalization .

00590

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Officials of the General Transport Organization have stated that the Government is also dissatisfied with the allegedly inefficient operation of the trucking industry.

One notes that the nationalizations during 1960 have been directed against Egyptian, rather than foreign, interests. Some few shares in the National Bank of Egypt were held by foreigners (mostly resident foreigners) at the time of the Bank's nationalization, but the Bank Misr, the press, the Cairo bus companies, and the provincial bus lines were all wholly Egyptian-owned.

It might be useful also to clarify the terminology used in describing three different actions in this field which are often interrelated but are not the same; i.e.; Egyptianization, sequestration, and nationalization. Whereas nationalization refers to governmental seizure or acquisition of majority ownership, Egyptianization refers only to acquisition of majority ownership of foreign interests by Egyptians. If the Egyptians concerned represent private interests, this would not be nationalization in the strict sense of the word. There are also forms of semi-Egyptianization and semi-nationalization. Some foreign companies have become Egyptian companies (i.e., chartered under Egyptian law) without relinquishing foreign majority ownership and control. The Government has semi-nationalized some companies by acquiring for the account of the Economic Development Organization 25% or more but less than 51% of the company's shares. Under the EDO law, ownership of 25% or more of a company's shares gives the EDO certain supervisory powers which are sufficiently comprehensive so that the Embassy is inclined to consider such companies as, in effect, government-controlled, even though the EDO may not hold majority ownership. The proposed Misr Organization, which will according to report own outright the Bank Misr and will hold the shares in other companies now owned by the Bank, is expected to be given the same powers in this respect as the EDO. Finally, sequestration is an intermediate action which can be applied to any interests, foreign or domestic, and may be terminated by return of the property to the original owners, if the dispute which caused the sequestration is settled to the Government's satisfaction, or by nationalization. Presumably, sequestration could be terminated also by sale of the property to private Egyptian interests, in which case, if the property had been foreign-owned, the result would be a form of Egyptianization. Usually, however, except in the case of the certain British and French properties which were sequestered at the time of the Suez crisis and are in the process of being returned to their owners, sequestration results in nationalization or sale to an agency such as the EDO.

In the case of the foreign commercial banks and insurance companies that were not sequestered and nationalized at the time of the Suez crisis, the present legal requirement calls for Egyptianization, not nationalization, although the latter could result if the companies should decide to stay in business and accept Egyptianization, and the Government should decide to acquire majority ownership instead of permitting private Egyptian interests to do so. In spite of its present virtual monopoly of commercial banking and insurance, the Government might feel it a tidier arrangement to have no loose ends hanging about and might well decide totake over not only the Egyptianized foreign banks and insurance companies but the few remaining Egyptian ones as well. Recent statements by President Nasser to the Greek Government indicate that therewill be no backing down from the Egyptianization requirement for foreign commercial banks, even though foreign banks now account for only a small percentage of the banking business.

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The various tramway and light railway companies in Egypt (in which there is a heavy Belgian and some French interest) are also under pressure to Egyptianize. They are resisting strongly, since they consider Egyptianization a prelude to nationalization. The Egyptian Government appears at present to be avoiding the nationalization of outright foreign interests, but Egyptianization, even semi-Egyptianization as explained above, would weaken a foreign country's grounds for protest in case of later nationalization, at least in the eyes of the Egyptians, other Afro-Asian countries, and probably most other underdeveloped countries, to say nothing of the Soviet Bloc.

A belief has been expressed by at least one local observer that the fairly steady march of nationalization in Egypt has begun to shake the faith of Egyptian intellectuals and idealists in the purposes of the present regime. The Government's assurances that these measures are being taken to build a "democratic, socialist, cooperative" state which will prevent capitalistic exploitation of the people are beginning to sound somewhat hollow. It cannot have escaped the attention of the more percipient Egyptians that the resulting state is more likely to belong to the bureaucracy than to the people. Even the less percipient Egyptians seem to feel that all is not well, if it is true, as reported by a minor official in the Ministry of Economy, that the Government is seriously considering a prohibition on the withdrawal of bank deposits, because of a moderate but steady run on the banks by small depositors. It might be that the rumors current at the time of the recent bank nationalizations (that the Goverernment wanted these banks' deposits to finance its development program), which were not really believed in the upper levels, have now percolated to the lower levels where they are believed. It may be significant that, in the week following the recent nationalizations, currency in circulation outside the National Bank increased contraseasonally by LE 10.4 million.

However, as one rather high official of an institution recently taken over by the Government expressed it, most Egyptians feel that any wrong that is done or mistakes that are made by the Government are not the fault of President Nasser, and that when he hears about such things, he corrects them. The President has, in fact, taken a sufficient number of largely minor actions of this nature to lend credence to the belief. In any event, whether or not the Government has the whole-hearted backing of the Egyptian people or any particular sector of it in its nationalization measures, it is highly unlikely that a disaffected or disillusioned group could do much about it or has reached the point where it is seriously considering doing something about it. The attitude expressed by the textile manufacturer Spahi, as reported in Alexandria's D-272 of June 16, 1960, that he would go on working in his factory as a Government employee, is probably typical of Egyptian reactions, although those foreigners who can get anything out of the country may well do so.

00542

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Authority NND 949570
By CP NARA Date 8/4/00

Since this despatch was drafted, it has, according to several sources, become a certainty that, in spite of previous denials by high Government officials, the distribution of pharmaceuticals will be taken over by the Government. Importation of drugs will be controlled by the Ministry of Supply, and local agents of foreign firms will be limited to a 5% markup instead of 20%. The prices of drugs will be reduced 15%. Thirteen distribution centers will be set up throughout Egypt, five of which are expected to be in operation by August or September. The Squibb Company, which was interested in buying into a local distribution firm, with the intention of expanding its operations substantially, has dropped these plans, and the Pfizer and Ciba firms, which had virtually completed their arrangements to establish manufacturing and packaging facilities in Egypt, are holding everyting in abeyance for the present.

SUMMARY

Although the impression the Embassy gets from its local contacts, Egyptian and non-Egyptian, is that there will be drastic nationalization measures taken by the Government on or before July 23, it may well be that the measures actually taken will be an anti-climax after the wave of near-panic on whihh have floated the recent rumors of partial or complete nationalization of most of the remaining private sectors of the Egyptian economy. The Government's nationalization secrets have so far apparently been well kept, and the ax may fall where least expected and probably less sweepingly than expected, or feared. While some action seems certain, the Embassy is in doubt as to how extensive it will be. Based on what appears to the Embassy as common sense; i.e., the undesirability of a drastic shake-up in the economy just as a large development program is to be started, sweeping government action would seem unlikely. This line of reasoning would point to action only in such fields as motion-picture distribution where ideology can be demonstrated with relatively little direct economic loss. On the other hand, one is never certain to what extent common sense pragmaticism will affect government action in Egypt. Certainly the principles recently asserted or reasserted by high government officials are hardly reassuring for the future of private enterprise in Egypt. In his speech at the First Congress of the National Union in the Southern Region, Kamal Eddin Hussein, Controller-General of the NUSR, reiterated the aims set forth in the 1956 Constitution, one of which is "the termination of monopoly and the domination of capital over the country's rule." While he also proclaimed the Government's intention to protect individual ownership and uphold the freedom of individual economic enterprise, which has encouraged certain Egyptians to believe the present balance of forces will not be upset, it still appears that in the long run, at least, the Government's efforts to "reconcile public and private economic activity" and prevent domination by capital are tending toward governmental absorption of all important enterprises and the extension of a certain restricted "freedom" only to enterprises of moderate or small size.

This principle was more explicitly spelled out by Dr. Abdel Moneim Kaissouni, Central Minister of Economy, in a question-and-answer session with a reporter for Akhbar el Yom on June 11, 1960. The questioning was based on a report prepared

005493

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by Dr. Kaissouni on the "organization" of internal and external trade. The attitude it discloses, however, is believed to be in fact the Government's attitude toward all forms of economic activity and is not limited only to trade. In brief, Dr. Kaissouni foresees that for a variety of reasons (competition from more developed countries, governmental trade monoplies in some countries, importance of assuring adequate supplies, necessity to control prices) the Egyptian Government must in many cases conduct and in others control both internal and external trade. As the Government has socialized agriculture by eliminating large land-owners, so must it put trade (or that part of trade not conducted by government companies or agencies) into the hands of "small individual trade enterprises indirectly supervised by the government...; then encourage the formation of trade cooperative societies...". Dr. Kaissouni, too, reasserted the principle that individuals must be prevented from establishing domination and monopoly. It would appear that if these principles of encouragement of small individual enterprises and cooperatives, with all large enterprises entrusted to the government, are applicable to agriculture and trade, industry and other sectors of the economy will not be far behind.

For the Ambassador:

John W. Foley Jr.

John W. Foley Jr.,
First Secretary of Embassy

Approved:

Roswell H. Whitman

Roswell H. Whitman
Counselor for Economic Affairs

JC

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FOREIGN SERVICE DESPATCH

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DESP. NO.

FROM : American Embassy, CAIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 2, 1960
DATE

REF : CERP, Section D, Items II-B-1 & VIII-A-1

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SUBJECT: Nationalization of Bus Transportation

886B.19/7-260

Background

Bus transportation in Egypt is conducted by ten companies operating provincial lines, five companies in the Cairo municipality, and a number of firms operating primarily in Alexandria, Port Said, and Suez. Although complete data are lacking for the system as a whole, the majority of these companies are thought to be Egyptian-owned. In the aggregate they operate an estimated 3,000 vehicles; about 1400 are on provincial lines, 680 are in Cairo, roughly 300 in Alexandria, and the rest in smaller cities.

Bus companies are subject to supervision by one of two ministries. Municipal lines are under the direction of the Ministry of Municipal and Rural Affairs. In Cairo, the municipality's General Transport Organization (GTO) is subject to regulation by this ministry. Provincial bus companies are supervised by the General Inland Transport Authority, an agency of the Ministry of Communications.

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Nationalization of Cairo Bus Companies

By law number 155 of May 24, 1960 (Enclosure 1) Cairo municipal bus lines were nationalized and placed under the direction of Cairo's (GTO). Aside from the standard rationale of the Nasser regime, i.e. relating nationalization measures in a loosely logical fashion to the needs of a "socialist, democratic and cooperative society", many of the justifications for this action have been commonplace to municipal transport situations the world over. However, Cairo bus nationalization (municipalization as some UAR officials prefer to call it) appears related to other phases of the national transportation program and should be viewed in that light rather than considering it an isolated effort to solve a municipal transport problem. The principal questions are what were the specific justifications used, whose interests were affected, what other interests are involved in passenger transport on a national basis, and what plans exist for further nationalization in this field.

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1. Justification

As reported in the press, the reasons given for taking over bus transport

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were (1) the failure of concession companies to carry out the obligations specified in their agreements in a proper and regular fashion, (2) the failure of these companies to pay royalties and penalties due the government, and (3) lavish company spending practices and excessive remunerations paid to largely unqualified employees. Press statements are mild in comparison with known facts about the companies and their lack of efficiency. Equipment is in poor condition, schedules are badly maintained, and several company officials are open to charges of corruption or, at least mismanagement. Few companies directly affected by nationalization are given satisfactory bank credit ratings. This is also true of several companies operating provincial lines.

Former bus company owners have insisted for the last few years that all their companies were losing money because of the low fares permitted by the government. They used this assertion to explain their failure to renew equipment, to provide additional services in accordance with the terms of their concessions and to establish employee welfare programs.

The facts of bus company financial operations are not available and may not be made public at all in view of government statements to the effect that all bus companies were actually showing a profit. Kamal Eldin Hussein, Central Minister of Education and Supervisor General of the National Union, publicly denied bus company losses in a speech at Ismailia on May 26. He also asserted that the GTO had shown a profit on its own operations. The latter assertion is rather strange in view of the fact that official statistics on the number of buses in Cairo do not show any in the hands of the GTO prior to nationalization.

Whatever the truth of this matter, the behavior of the principal operator, Abdel Latif Rady Abu Regeila, indicates there may have been considerable justification for the government view. At the time of nationalization, the Cairo Lines Bus Company operated by Abu Regeila was capitalized at LE 2,000,000. Abu Regeila had a personal investment of LE 65,000 in the company, and this he had made from operating profits, according to Ismail Abdel Khalik, Director of the General Inland Transport Authority.

Abu Regeila took over management of Cairo Lines in 1953 at the request of Vice President Boghdady. Reportedly the initial concession agreement permitted him to withdraw the equivalent of 5% of his capital investment as earnings each year. This figure was later raised to 10%. The company was required by the agreement to set aside annually about LE 140,000 to finance passenger and worker welfare projects, i.e. waiting stations and other line facilities as well as various worker benefit programs. An additional LE 50,000 was supposed to be set aside for replacement and renewal of equipment.

According to some private reports as well as Abdel Khalik, Abu Regeila set these special funds aside, on paper, but he diverted them to finance the Abu Regeila Contracting Company (which built part of the Delta road to Alexandria) and to build the Wahba Building in Cairo.

Abu Regeila reportedly has had a history of shady or marginal business dealings in Egypt. Apparently he first came to Cairo in 1937 after having

00596

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Authority NND 949570
By CD NARA Date 8/4/00

established an export business in Khartoum. He left Egypt in 1949 when the Farouk regime accused him of supplying faulty arms to the Egyptian Army. In Italy from 1949 to 1953, Abu Regeila is said to have established a new export business. He returned to Cairo in 1953, however, and the charges against him were dropped, presumably by the Revolutionary government. He is reported to have been very close to the Revolutionary Council at that time, and, probably for this reason, was selected by Boghdady to run the Cairo Lines Bus Company.

Regeila's holdings when the bus companies were nationalized included a farm of some 120 feddans, three garages in Cairo, an office building and his contracting company. All of these are said to have been acquired since he returned to Cairo. Since nationalization, all of Abu Regeila's assets have been frozen, and public or private institutions have been forbidden to do business with him.

In the absence of other information, the case of Abu Regeila does not decide one way or ther other the matter of bus company operating losses. However, other reports of collusion among bus companies, spare parts houses and equipment suppliers as well as the falsification of records and one case of absconding (Joseph Kfouri of the Fayoum Motorbus Company) strongly suggest that the companies were being milked by the operators. Hence, the state of bus company records may be such that establishing a clear picture of company finances will be out of the question.

2. Interests Affected

Five bus companies operating some 680 buses in the Cairo municipality were nationalized by the decree. All lines affected were wholly Egyptian owned (see enclosure 2). The largest, Cairo Lines Bus Company, accounts for more than half of Cairo bus service. The other companies were either owned or operated by Yousef Saweeres (El Kamal Motorbus Company), theMagar brothers (Magar Motorbus Company), Zaki Yussef el Assuiti (Nahdat Masr Motorbus Company), and Mohamed Fuad Darweesh (Al Haditha Motorbus Company).

All the above-mentioned companies were formed between 1953 and 1955 for the ostensible purpose of correcting the inefficiency of previous concession holders. So far as can be determined, the smaller companies in operation before 1953 were locally owned, but the Cairo Lines Bus Company took over concessions held by British and Belgian interests.

Cairo Lines Bus Company was originally founded as the Egyptian General Omnibus Company in 1933. Fourteen major bus routes of Cairo and vicinity were serviced by the company until 1946, at which time four lines were ceded to a small local company. The Cairo Tramways Company (Belgian), the Cairo Electric Railways Company (British), and the Heliopolis Oasis Company (Belgian) controlled Omnibus until the concessions were transferred to Abu Regeila in 1953. It is not clear how the interests of these firms were disposed of at the time transfer

005971

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Authority NND 949570
By CP NARA Date 8/4/00

was made.

3. Company-Government Relations

The conditions imposed upon the companies by the government have been in some measure responsible for the problems leading to nationalization. First, in keeping with a generally applied government policy, bus companies have been compelled to charge fares which, in many instances, barely met costs. Similar fare schedules have been imposed upon the railroads, tramways and light railways. Executive Minister of Communications, Mustapha Khalil, has stated publicly that rail fares charged the majority of passengers have been substantially below operating costs. Bus fares appear to have been equally low.

Cairo bus and tramway companies have a loss-indemnity agreement with Cairo municipality which is supposed to compensate the companies for losses incurred from collecting low fares. However, no payments have been made under this agreement, and none are expected.

Buses have been allowed to deterioriate markedly because of severe restrictions upon the import of new buses and spare parts. Some replacements have been made by local manufacture of bus bodies for imported chassis, but systematic renewal and replacement have been impossible. The General Authority for Inland Transportation (created in 1957 to coordinate internal land transport activities) has worked out its program for the next ten years on the theory that the retirement of overage equipment will be indefinitely postponed. Ismail Abdel Khalik, Director General of the Authority, has told the reporting officer that import license applications are so far in arrears at the moment that probably less than half the year's requests will be approved. The local manufacture of bus bodies, says Abdel Khalik, will not reduce materially the backlog of replacement requirements.

Since nationalization, special permission has been granted for the Cairo bus lines to import some 200 new buses, reportedly from Mercedes-Benz. Although the new equipment is unquestionably needed, Abdel Khalik reports that he has personally protested not only because equally pressing provincial line requirements have been passed over but also because the requests of municipal lines in Alexandria, Port Said and other cities have not been approved. Having committed itself politically to improving the Cairo bus system, the regime apparently is willing to arouse the ill feelings of other bus companies in order to justify nationalization. Import license requests of other lines may be refused in order to meet Cairo needs, and the concomitant decline in the efficiency of other lines may later be used as an excuse for nationalizing them.

00548

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Authority NND 949570
By CP NARA Date 8/4/00

4. Other Interests in Egyptian Transportation

At present the bus companies of Egypt are locally owned, but tramways and light railways contain substantial Belgian interests. British and French interests in bus and light railway lines have terminated either by expiration or cancellation of concessions. Both major Belgian transportation firms, Electro Rail and Electro Bel, have dominant or participating interests in the Cairo Tramways Company, the Heliopolis Metro Company (Heliopolis Oasis Company), Fayoum Light Railways, Delta Light Railways, and the Societe des Chemin de Fer de la Basse Egypte. Electro Bel and Electro Rail also founded the Societe de Electricite de Shoubra which is apparently controlled through Cairo Tramways. The Belgian firms had an interest in the Alexandria and Ramleh Railway Company whose assets were requisitioned earlier this year. However, their concession on that line expired some years ago as did their concession for Tramways of Alexandria.

The present position of Belgian interests is insecure because of the Egyptian Company Law of 1954. Since Article 88, Paragraph 3 of that law (a company which established corporate residence in a foreign country prior to October 15, 1949 was exempted from Egyptianization) was cancelled in December, 1958, both Heliopolis Metro and Cairo Tramways have been able to avoid Egyptianization. As an alternative, the Belgian firms and the Belgian Embassy have proposed the formation of an Egyptian company to which the facilities of both tramways would be transferred against payment of compensation. The Belgians favor this solution in part because the tramways have been losing money steadily since the end of World War II, at least so they have told the Belgian Commercial Attache.

The Belgian firms have been able to avoid Egyptianization thus far apparently for one main reason: the parent firms have large reserves abroad which are of great interest to the Ministry of Municipal and Rural Affairs, and once Egyptianization occurs, access to those reserves will be lost. On the other hand, according to the Belgian Embassy, bot parent firms feel they have fully amortized facilities still in Egypt, probably would regard any payment received for these facilities as an additional profit, and have no intention of giving the UAR or Cairo municipality access to foreign reserves. In all likelihood, the status of Cairo Tramways and Heliopolis Metro will be settled automatically. Both concessions are old and should be expiring within a few years. At that time, all physical assets of both lines will revert to the municipality, and reportedly the concession agreements call for reversion without compensation.

5. Compansation

The terms of the decree are such that the payment of any compensation to the former concession companies is left in doubt. No payment will be made for assets which in the normal course of things would fall to the municipality upon expiration of the concession. Assets which do not fall in this category will

005994

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Authority NND 949570
By CD NARA Date 8/4/00

be subject to compensation if their value has not been received by the company from revenues, (presumably meaning that the assets have been fully depreciated). Finally, no payment will be made until all taxes, royalties, penalties and other charges owed to the government have been deducted. Assuming these provisions will be applied in the manner most favorable to the municipality, it would appear that more than nominal compensation payments will be unlikely.

6. Management of the Nationalized Firms

Although newspaper reports state that management of all the bus companies affected has been taken over by the General Transport Organization of Cairo municipality, such is not strictly the case. Three boards of directors have been established; one to manage the Cairo Lines Bus Company and one each to manage two companies formed by merging the other four previous concessionaires. The GTO will maintain policy control over the new companies in accordance with directives issued by the Minister of Municipal and Rural Affairs, Egyptian Region.

7. National Transport Policy

Transportation policy explained by the Executive Minister of Communications, Mustapha Khalil, envisions the establishment of a fully coordinated and non-competitive transportation system in the Egyptian Region. The General Authority for Inland Transportation was created in 1957 to implement this policy, but has so far obtained control over provincial bus lines only. Southern region policy also includes the eventual elimination of all light railways and the substitution of bus or standard rail service as appropriate in the areas affected.

According to Abdel Khalik the implementation of the above policies will include further nationalization of bus lines during the next few years. Last December the Minufiya and Faudiya provincial lines were nationalized and the Fayoum Bus Company was placed under sequestration. The Fayoum Company may be nationalized, as suggested in Embassy D-938 of June 22, 1960. Three other bus companies, as yet unnamed, (some possibilities are listed in enclosure 3) are being considered for nationalization by the General Inland Transport Authority. When this is done, six of the ten provincial bus companies will have been placed under public custody, either by nationalization or sequestration. It is unlikely that the remaining four will escape for very long.

Although no specific steps have been taken, it is evident that the government is dissatisfied with the performance of truck transportation firms. Without giving the derivation of his figures, Abdel Khalik told the reporting officer that trucking companies are operating at about 40% efficiency because of poor scheduling and deployment of vehicles. This problem arouses particular government concern during the harvesting seasons for onions, cotton and sugar cane, and may give rise to nationalization, at least of principal firms, in the event operations do not improve.

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The nationalization of all organized transportation media may be the only way in which the government feels its policy can be carried out effectively. A non-competitive system is not likely to arise by other means. Furthermore, the impetus to nationalize in this field is supported by well-established Egyptian precedents. The Egyptian State Railroads have been national from their beginnings. Misrair, the Egyptian airline, is also government owned. Merchant shipping is becoming progressively a national enterprise, or at least subject to increasing government control. The establishment of President Nasser's much discussed Nile barge fleet, if and when that occurs, may prove, in the long run, to be the starting point for nationalizing inland water transport. The jump from this stage to complete nationalization of transportation media is not long.

For the Ambassador:

Terrell E. Arnold

Terrell E. Arnold
Third Secretary of Embassy

Enclosures:
Three

CC: Damascus, Aleppo, Alexandria & Port Said

APPROVED:

John W. Foley, Jr.

John W. Foley, Jr.
First Secretary of Embassy

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Source: Unofficial translation from U.A.R. Official Journal No. 117 continued of May 23,1960

DECREE
of the President of the United Arab Republic
Promulgating Law No.155 of 1960 concerning
Concessions for the Transportation of
Passengers by public vehicles in Cairo Town.

In the Name of the Nation,
The President of the Republic,

Considering the Provisional Constitution;

and Public Utility Concession Law No.129 of 1947, as amended;

and Law No. 352 of 1953 whereby the Administrative Body which has replaced Cairo Municipality was authorized to grant to the Nahdat Misr El-Assiuti Company (limited partnership) the right to operate the Cairo town Group 5 of motorbus lines; and the concession clauses annexed to said law;

and the agreement between the Nahdat Misr El-Assiuti Company (limited partnership) and the Administrative Body which has replaced Cairo Municipality, concerning the assignment and transfer by the former to the Nahdat Misr Company (Egyptian joint-stock company) - effective April 27, 1955 - of the concession granted to it;

and Law No. 395 of 1953 whereby the Administrative Body which has replaced Cairo Municipality was authorized to grant to the Magar Motorbus Company concession to operate the Cairo town Group 3 of motorbus lines; and the concession clauses annexed to said law;

and Law No. 686 of 1954 whereby the Administrative Body which has replaced Cairo Municipality was authorized to grant the concession to operate the Cairo town Groups 1 and 6 of motorbus lines; and the concession clauses annexed to said law;

and Law No. 179 of 1955 whereby the Administrative Body which has replaced Cairo Municipality was authorized to amend the conditions of the concessions it had granted for the operation of motorbus lines in Cairo town under laws Nos 351, 352, 353 and 395 of 1953 and in accordance with the clauses annexed to said laws; and the contracts entered into with the grantees of said concessions for the transportation of passengers by public motorvehicles in Cairo town in implementation of said Law No.179 of 1955;

and Law No. 154 of 1956 whereby the Administrative Body which has replaced Cairo Municipality was authorized to grant the concession to operate the Cairo town Group 2 of motorbus lines; and the concession clauses annexed to said law;

and the provisional licenses granted by the Administrative Body which has replaced Cairo Municipality for the management and operation of the Cairo town groups Nos 31, 32, 33 and 35 of motorbus lines;

and Law No. 194 of 1957 whereby the Administrative Body which has replaced Cairo Municipality was authorized to accept the assignment and transfer to the Al-Hadeethah Motorbus Company (Egyptian joint-stock

00602

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Authority NND 949570
By CP NARA Date 8/4/00

company) made by Mohamed Fouad Darwish of his concession to operate the Motorbus Line No. 19; and the concession clauses annexed to said law;

and Law No. 199 of 1957 whereby the Administrative Body which has replaced Cairo Municipality was authorized to grant the concession of the operation of Motorbus Line No.34 in Cairo town to the El-Kamal Motorbus Company (Yussef Saweeres and Company); and the concession clauses annexed to said law;

and Cairo Municipality Law No.145 of 1949, as amended;

and Law No. 113 of 1958 which governs appointments to joint-stock company and public establishment posts;

and Presidential Decree No. 1360 of 1959 whereunder the Public Transportation Organization for Cairo town was established;

with the advice of the State Council,

has decreed the following Law:

Article 1

All the concessions and licenses concerning the management and operation of motorbus lines in the town of Cairo, which have been granted to firm Cairo Lines (Abu Regueilah), the Nahdat Misr Motorbus Company (El-Assiuti), the Magar Motorbus Company, the El-Kamal Motorbus Company and the El-Hadeethah Motorbus Company shall be forfeited on the date on which the present law comes into force.

Article 2

The General Transportation Organization for Caito City shall be charged with the public transportation utility heretofore entrusted to the companies referred to in the foregoing article and assume the management and operation thereof pursuant to the Presidential Decree under which it was established.

Article 3

The General Transportation Organization for Cairo City shall take over all the assets of the public transportation concerns referred to in Article 1 of the present law as well as all the additional assets structures and installations which are connected with,or supplement,them.

Article 4

The companies and firms referred to in Article 1 of the present law shall be indemnified for the assets, structures and installations which usually are not taken back by the grantor of the concession, at the time it ceases to be valid, without his giving a compensation for them. The indemnity shall be computed on the basis of the value for which said assets, structures and installations appear in the accounts-books, provided this value has not been paid up by the revenue derived from the public utility conceded and with the prior deduction from this value of the amortization amount for the period preceding the implementation of the present law.

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By CD NARA Date 8/4/00

Article 5

The companies and firms referred to in Article 1 of the present law are bound to pay all sums due to the grantor of the concession and resulting from the concession agreement and, specially, such sums as may have been unduly withdrawn from the income of the public service conceded as well as the royalties in arrears and the damages which may be due on account of said companies and firms having not met the obligations provided in Law No. 129 of 1947, referred to hereinabove, and in the clauses of the concession agreement.

Article 6

The amount of the indemnity and the obligations provided in the two foregoing articles shall be estimated by a committee composed of the following:

Chairman : A counselor of the State Council, chosen by the latter

Members : A representative of the Cairo Municipality, appointed by order from the Minister for Municipal and Rural Affairs of the Egyptian Region

A representative of the former grantee of the concession, chosen by the latter.

For the discharge of its duties, theCommittee may resort to the advice of any public official or other person.

Its resolutions shall be passed by absolute majority and be final; they shall admit of no objection whatsoever and be carried out by means of administrative attachments.

Article 7

The indemnity which is to be determined in accordance with the provisions of the present law shall be taken from the funds available at the Public Transportation Organization for Cairo City and the Cairo Municipality following an order from the Minister for Municipal and Rural Affairs of the Egyptian Region.

Article 8

No private person or organization formerly charged with the management of any of the services of passenger transportation by public vehicle may do any work in said services or in the structures or installations connected with or SUPPLEMENTING them; neither may any official of said services take any action which, under the provisions of the present law, comes within the province of the board of directors or of the general manager of the Public Transportation Organization for Cairo City.

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Article 9

Subject to the provisions of the foregoing article, all persons working at the services of passenger transportation by motorvehicles referred to hereinabove or at the structures or installations connected with, or supplementing, them must continue to discharge their duties and abstain from discontinuing their work under any pretext whatsoever unless an order for the purpose be issued by the appropriate public authority.

Article 10

All natural or juristic persons residing in the United Arab Republic and all nationals of the United Arab Republic even residing abroad who are managers, depositaries or possessors of whatever properties belonging to the companies or firms referred to in Article 1 of the present law or who are debtors to, or creditors of, any of said companies and firms must submit - within three months from the date on which the present law comes into force - a detailed statement of their position supported by voucher, book and documentary evidence, to the Minister for Municipal and Rural Affairs, Egyptian Region.

Article 11

All natural or juristic persons residing in the United Arab Republic and all nationals of the United Arab Republic even residing abroad must supply such information, statements, statistical data, vouchers or documents as the Minister for Municipal and Rural Affairs, Egyptian Region or the Public Transportation Organization for Cairo City or the Committee referred to in Article 6 hereinabove may request.

There shall be responsible for the implementation of the provisions of the present article all persons discharging managerial duties or working at said juristic entities who, by their functions detain the requested information, statements, statistical data, vouchers or documents.

Article 12

All contracts, disposals, business transactions or measures at variance with the provisions of the present law shall be considered as null and void.

Article 13

Without prejudice to the provisions of Articles 7 and 8 hereinabove, all the workmen who - on the effective date of the present law - are at the service of the companies and firms referred to in Article 1 shall be transferred to the Public Transportation Organization for Cairo City.

00605

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Authority NND 949570
By CP NARA Date 8/4/00

By exception from the provisions of the Law No. 113 of 1958 referred to hereinabove, there shall also be transferred to the Organization such officials at the service of the companies and firms in question on said date as may be selected and have their salaries fixed by the committee which the Minister for Municipal and Rural Affairs, Egyptian Region, is to appoint in an order. This order shall be issued within three months from the effective date of the present law and the Minister for Municipal and Rural Affairs, Egyptian Region, shall sanction the decisions made by said committee.

Article 14

Without prejudice to the more severe penalties provided by other laws, offenses against any provision of Articles 8, 9, 10, 11 and 12 of the present law shall be punished by imprisonment for more than six months but not more than one year and by a fine in excess of one hundred pounds but not in excess of one thousand pounds or by either penalty.

Article 15

The present law shall be published in the Official Journal and be effective on the date of its publication. The Minister for Municipal and Rural Affairs of the Egyptian Region is hereby charged with the issuance of the necessary orders for its implementation.

Given at the Presidency of the Republic this 28th day of 1379 A.H. (May 23, 1960).

Gamal Abdel Nasser

Translated by:
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Nationalized Bus Lines

El Kamal Motorbus Company - 16 buses - Cairo lines
9 Orabi Street, Cairo.

Limited partnership formed in July 1955.
Controlling partner: Yusef Saweeres.
Capital: LE 100,000, 80% provided by Saweeres, remainder by silent partner.

Both Saweeres and the company have had trouble paying bills during the last two years. Saweeres is also managing director of the Cairo-Alexandria Motorbus Company (see enclosure 3).

Magar Motorbus Company - 125 buses - Cairo lines.
50 Kasr el Nil Street, Cairo.

Formed in 1953 to take over concessions of the Magar Brothers Motorbus Company, 19 Soliman Pasha Street, the present address of other Magar family enterprises.

Owners: Magar Brothers.
Estimated assets of Magar family about LE 300,000.

The Magar brothers own three other firms: (1) The Magar Brothers Company, an automotive spare parts house which acts as agent for General Motors Near East, handling Chevrolet trucks and parts. Firm also owns a shop in Dokki for making bus bodies and has three automotive repair shops. (2) Magar Brothers Motion Pictures Company, owns and operates five theaters. (3) Magar Assiut Company, owns two theaters and operates a number of small provincial bus lines. Apparently both Cairo and provincial bus lines were nationalized.

Principal charges against Magar brothers are misrepresentation and collusion. Company apparently imported bus chassis and built bodies in the Dokki shop. These buses were sold (on paper) to the Motorbus Company at LE 10,000 each whereas actual cost was about LE 5,000. The company of Abu Regeila (below) reportedly was also involved in this venture.

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By CD NARA Date 8/4/00

Cairo Lines Bus Company - 400 buses on 6 Cairo and suburban lines.
28 Soliman Pasha Street, Cairo.

Joint stock company established in 1953.

Capital LE 2,000,000 of which ostensible owner of company, Abdel Latif Rady Abu Regeila, has invested LE 65,000 (see text).

Nahdat Masr Motorbus Company - 125 buses on 5 Cairo lines.
37 Masr wal Sudan Street, Kubbeh.

Joint stock company established in 1954.

Capital: LE 187,000.

Principal stockholder: Zaki Yussef el Assiuti.

Background data not available.

Fuad Darweesh and Company - 20 buses - Cairo lines.
Bani Okeil Street, Kubbeh.

Company is a branch of Mohamed Fuad Darweesh and Sons. Darweesh himself was declared bankrupt on March 28, 1959 at the request of el Gamhurieh Bank.

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Other Bus Lines
(Offices in Cairo)

Fayum Motorbus Co. - 30 Cherif Street.

This joint-stock company has a capital of LE 150,000. After its principal stockholder, Joseph Kfouri, left the country it was placed under public custody in April 1959. Sequestrator: Hanafi Labib Husseini.

Cairo Alexandria Bus Co. - 9 Orabi Street.

Joint-stock company established on November 6, 1956 with a capital of LE 100,000 in 25,000 shares.

Main stockholders and board members:

Michel Daher Kfouri - Chairman.
Yussef Saweeres - Managing Director.
Nabil Michael Daher Kfouri
Dr. Mohamed Abdel Gawad Mohamed
Iskandar Said
Shukri Saweeres.

The company has had many of its bills protested.

The el-Mahassein Motorbus Co., 5 Dubreh Street.

The Minia and Behera Motorbus Co.

Egyptian joint-stock company established on December 18, 1945 with an original capital of LE 72,000 subsequently increased to LE 400,000 in 100,000 shares. The company's name was originally The el-Mahassein Minieh and Behera Motorbus Co. after the merging with the el-Mahassein Motorbus Co. and the Minia Motorbus Co. in 1946.

Board of Directors:

Chairman: Hakim Morgan
Managing Director: Halim Morgan
Members: Iskandar Hakim, William Hakim, Isaac Hakim and Abbas el-Mehassein.

The company operates about 180-200 motorbuses on several lines in Lower Egypt.

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The Modern Bus Co. (el-Hadithah), 62 Gomhourieh Street (Garage at No. 18 Bab el Wazir Street).

Joint-stock company established on May 6, 1954.
Capital LE 52,000 in 5,200 shares of LE 10 each.
Concessionaire of line No. 19 in Cairo.

Board of Directors:

President and Managing Director: Mohamed Ahmed El-Tarabulsi.
Managing Director: Hag Aly Saleh el-Sayed.
Members: Mohamed Hassan Nafei
Mrs Etemad el-Tarabulsi
Mrs. Faizah el-Tarabulsi
Mrs. Fawkieh el-Tarabulsi

Regular in payments.

El-Shark Motorbus Co.- 27 Mohamed Ezz el-Arab Street (ex Mobtadayan).

Joint-stock company established on June 2, 1937.
Capital LE 500,000 in 125,000 shares of LE 4 each.

The company's name which originally was The Sharkieh and Dakahlieh Bus Co. was changed into its present one on May 16, 1949.

The company has a 200-unit transportation fleet operated in the Sharkieh, Dakahlieh and Qaliubieh provinces.

Board of Directors:

President and Managing Director: Abdel Moneim Ibrahim.
Members: Ismail Ahmed Badawi
Fawzi el-Baradei
Ibrahim Abusheesha
Abulela el-Mohassein
Darweesh Mohamed Fuad
Mohamed Abdel Aziz Mustafa
General Manager: Mohamed Salem Salem.

The company owns several garages and workshops.

Appears to be short of liquid capital and behind with the payment of the concession dues.

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The Upper Egypt Bus Co., 8 Soliman Pasha Street.

Joint-stock company established in August 1939.
Capital LE 350,000 in 87,500 shares of LE 4 each.

Board of Directors:

Salem Salem Mohamed Salem
Abulela el-Mohassein
Abulwafa Dongol
Mohomaed Abdel Moneim Ibrahim

Board Chairman: Abulwafa Dongol.

The company operates numerous buses in the Assiut, Kena, Girga and Aswan provinces as well as in the Red Sea zone.

Mr. Dongol also has personal means in landed property and securities.

Good business morality.

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Date Sent: July 16, 1960
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FROM: Amembassy CAIRO

TO: SecSTATE WASHINGTON G-26

NO:

JUL 19 10 44 AM '60

Addressing Arab Affairs Committee of National Union July 13 Nasser spoke (according to press) on following lines re public versus private ownerships

> Public and private capital in our country work for the good of the state and we will not permit exploitation, monopolies or domination, because this is against our principles. There is no room in our Republic for exploiters, and feudalists. We want to prevent domination. Misr Bank was nationalized because it was a form of feudalism and control in the country.
>
> The rumours about the nationalization of trucks, taxis, buildings and shops are matters which we have nothing to do with and did not enter our thoughts. Those who want to remain afraid without cause are like those who are afraid a neighbor would pinch them in their side.

REINHARDT

FOA

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POL:FOAllen/hh 7/15/60

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886B.19/7-1960
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FOREIGN SERVICE DESPATCH

5
DESP. NO.

FROM : American Consul ALEPPO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 19, 1960 SYRIA
DATE

REF :

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ACTION E-7

REC'D 7/29

DEPT. INFO RM/R-2 REP-1 IRC-7 NEA-4 RA-H L-2 SCS-1
OTHER LAB-6 TR-3 FRB-2 XMB-4 AG-8
CIA-10 COM-10 FTC-1 NSA-2 ARMY-3 NAVY-3

SUBJECT: Business Community Jumpy Over Rumors of Forthcoming Nationalization

For several weeks, beginning with the announced Nationalization of Cairo's public transportation system, the business community here has been suffering from a general attack of nerves. This has been reflected in a falling off of the market value of industrial shares ranging from about 10% up to around 20% in some cases. Many consider that an almost steady rise in the rate of exchange for foreign currencies over the same period is another manifestation of fear of nationalization, but the phenomenon is a less reliable indicator, being due certainly in part, at least to a simple shortage of foreign exchange.

The line taken by officials, notably the local Director of the Central Bank, is that industrial stock prices were over-priced before the decline set in and that their market value normally falls immediately after the payment of periodic dividends, many of which were paid around July 1. The rise in foreign exchange rates is frankly ascribed by the Director to a current shortage, and he believes that the shortage will continue to be acute until September, when foreign exchange will begin to be earned by the sales of the new cotton crop. To save exchange, he reports the Exchange Office of the Central Bank has in recent months narrowed the types of transaction for which permission is granted to purchase exchange at the official rate of 3.58 L.S. to the dollar, but the government has allowed a rather wide range of transactions to be executed through the banks at free market rates, which at present stand at around 3.87 L.S. to the dollar. (see 1. below)

The Central Bank Director, the Muhafiz of Aleppo, and the Director of Economy and Trade here all profess to believe that there will be no major nationalization of industry or trade sectors in the Syrian Region in the near future. (On July 18 the local press carried a bare announcement without details of a presidential decree "nationalizing" the trade of medicines, chemicals, and medical equipment. The article did not specify to which region the decree would apply.)

COPIES SENT: Damascus, Cairo

(1.) - One widely circulated rumor in banking and trade circles, which the Central Bank Director does not specifically deny is that the Syrian government has recently printed and sold on the Beirut market for foreign exchange, some 70,000,000 Syrian pounds.

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Whether due to wishful thinking, or real conviction, the majority of business men here, although uneasy, as of the present date, choose to believe that "the time is not ripe", or "they will not dare" to implement major nationalization in industry or trade for the present. In the opinion of the reporting officer, if further major nationalization are not announced for Syria by the end of the current month, the business community here will revert to a considerable degree of calm and an attitude of business as usual. Aleppo businessmen are accustomed to thinking in the short run, and although the more realistic of them realize that the Syrian economy is enexorably headed for increasing government interference and possibly even outright control, they are surprisingly philosophical about what the future may bring.

As a hedge toward the future, increasing numbers of the more realistic and flexible businessmen are making their peace socially with key figures in the economic sectors of the local government. During the past year, the Muhafiz, the Director of Economy and Industry, the Director of the Central Bank, and the Director of the Cotton Office and their wives are to be seen more and more frequently at the private social functions of leading businessmen. A few of the more far-seeing importers are already beginning to concentrate their efforts on negotiating sales contracts with government agencies, notably in the field of agricultural implements. Several leading industrialists here discussed with officers of the Consulate General their willingness at some future date to manage their plants for the government, if they are well paid and well treated.

Thus despite this community's long tradition of free enterprise, it is not impossible to foresee that even the large scale nationalization of industry and some sectors of commerce, if executed with skill would not be totally unacceptable to a considerable segment of the business community here. To put it another way, in the opinion of the reporting officer, a major nationalization move, unless the timing and method of execution were extremely maladroit, would not precipitate the still powerful (economically) business community here into unified and effective opposition to the regime.

In the meantime, this group prefers to concentrate on next week's party, next year's profits, and although uneasy, to hope for the best, and not to think too searchingly about what the future is likely to bring. It could perhaps be likened to a dental patient who realizes that soon he will have to have some pretty extensive bridge work done, but who in the meantime is determined to enjoy as many steaks as possible, and who, in order to assure the most painless job possible when the work can be put off no longer invites his dentist to share a few rich meals.

John T. Wheelock
John T. Wheelock
American Consul

RW

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By CP NARA Date 8/4/00

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FOREIGN SERVICE DESPATCH

FROM : Cairo

53
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 27, 1960
DATE

REF : CERP: Section D, Item VII-A-2

JUL 28 1960

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	REC'D 8/2	INFO OTHER

SUBJECT: Industrial Plants to be Inaugurated.

Coincident with the official celebrations for the eighth anniversary of the Egyptian Revolution, several new industrial projects have been inaugurated. According to the press, a total of 92 projects costing some LE 78.5 million are to be inaugurated before the end of 1960.

The Embassy has obtained from the Ministry of Industry a schedule of plants or projects which reportedly will be eligible for inauguration from the period beginning about July 1 until the end of December 1960. A list of these individual projects is forwarded with this despatch. A review of this list reveals that many of the so-called "new" projects are in a fact actually either modifications of, or extensions to, existing industries. Nearly all of the projects, insofar as the Embassy has been able to ascertain, involve those contemplated under the first Five-Year Development Program.

A cursory review of the list would appear to indicate that Egyptian planners are, as usual, optimistic with respect to the planned production estimates in comparison with the actual realities of the situation. Nevertheless, the attached list reflects a substantial addition to the country's productive capacity and illustrates the strides that are being made to further industrialize or otherwise improve the economy of Egypt.

886B.19/7-2760

For the Ambassador:

T. Howard Peters
Commercial Attache

Approved by:

John W. Foley, Jr.
First Secretary of Embassy

Enclosure:
As stated.

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THPeters:sm
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Source: Ministry of Industry

Plants which May Start Working Between July 1 & 23

Plant	Location	Total Cost in L.E.	Main Products
Jute Plant	Belbeis	3,300,000	18,000 tons yearly of rice, wheat, cotton and cottonseed containers and sacks; Value: LE 2 million.
National Cement Company	Helwan	3,100,000	500,000 tons of Portland cement and concrete. Value: LE 1,800,000.
Expansion of the Nitrate & Fertilizer & Ammonia Plant	Suez	2,500,000	50,000 tons of nitrate, ammonia and calcium fertilizers. Value: LE 1,350,000.
Expansion of the Misr Spinning Co.	Mehalla	2,350,000	1,150 tons of fine yarn. Value: 1,610,000.
Damietta Fine Spinning Mill	Damietta		Already in operation.
Siouf Weaving & Finishing Plant	Alexandria	400,000	1,000 tons of medium yarn. Value: LE 500,500.
Akil Fine Spinning Mill	Alexandria	160,000	150 tons of fine yarn. Value: LE 195,000.
Kima Plant (3 lines)	Aswan	24,870,000	450,000 tons of nitrate fertilizer. Value: LE 13,500,000 (The production of the 1st line has already started.)
Expansion of the new Egyptian Co. for Spinning	Alexandria	80,000	70 tons of fine yarn. Value: LE 92,000.
Sewing Machines Plant	Helwan	305,000	15,000 sewing machines produced by the War Factories. Value:LE 345,000.
Radiator Plant	Helwan	53,000	10,000 units produced by the War Factories. Value: LE 52,000.
Nails and nuts Plant	Helwan	614,000	6,000 tons of nails and nuts produced by the War Factories. Value:LE 720,000

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Plant	Location	Total Cost in L. E.	Main Products
General Earthenware & Chinaware Factory	Shubra El-Kheima	1,610,000	3,750 tons of household utensils, sanitary appliances, tiles, electric insulators. Value: LE 600,000.
Electric Cables Plant	Mostorod	690,000	1,000 kilos of low tension, underground cables (1,000 poles). Value: IE 1 million.
Paints & Chemical Products Plant	Kubbeh	280,000	1,120 tons of paints, plastics, cellulosic paints, varnishes. Value: LE 327,000.
National Company (Expansion)	Abu Zaabal	248,000	6,000 tons of small iron parts. Value: LE 300,000.
The Arab Wood Trading Company	Alexandria	240,000	3,000 cubic meters of plywood. Value: LE 200,000.
General Company for Carding Requisites	Helwan	215,000	1,200 covers used for covering the cylindrical part of the wool, cotton and fibrane carding machines. Value: LE 150,000.
Al-Ahram Plant (production of upholstery springs)	Alexandria	100,000	Production of various diameters iron wires galvanized, upholstery springs. Value: LE 100,000 yearly.
King Osman (production of upholstery springs)	"	83,500	2,300 tons of drawn wires and springs. Value: LE 170,000.
Carton Mill (Kores Office)	"	20,000	135 tons of carton paper. Value: LE 150,000.
Expansion of the National Plastic Co.	Shubra El-Kheima	184,000	400,000 sq. m. of ultrapes, a substitute of formica. Value: LE 600,000.
Extensible Nets (Building Supplies Company)	Zwayat El-Hamra'	20,000	500,000 meters of extansible nets. Value: LE 150,000.
Bicycles Plant	Shubra	402,000	30,000 bicycles. Value: LE 390,000.

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Plants which may Start Working Between July 23 & Aug. 15

Plant	Location	Total Cost in L. E.	Main Products
Knitting Yarns (Misr Fine Spinning & Weaving Company)	Kafr El-Dawar	250,000	60 tons of fishing net yarns and 90 tons of knitting yarns. Value: LE 275,000.
Expansion of the Misr Silk Weaving Company	Helwan	6,000,000	45 million meters of nylon either pure or mixed with cotton. Value: LE 6 million.
Oil Tankers		3,840,000	
Oil Prospection and Drilling	Eastern Desert		2 million tons of crude oil. Value: LE 7 million.
Oil Drilling Rigs	Sinai Peninsula Red Sea Coast Suez Gulf	3,000,000	
Motor Vehicles (trucks & buses)	Helwan	1,662,000	1,500 trucks and 400 buses.
Misr Milk Company	Kubbeh	700,000	200 tons of pasteurized milk and milk products.
Ramses Passenger Car	Alexandria Desert Road	413,000	1,200 cars. Value: LE 600,000
Television Sets	Dar El-Salam	306,000	20,000 sets and 20,000 aerials. Value: LE 1,500,000.
El-Shams Glass and Crystal Plant	Kubbeh	300,000	25 million bottles of brown and green colour. 1,500 tons of household utensils and ornamental equipment made on half crystal. Value: IE 470,000.
Central Mining Research Laboratory	Dokki	297,000	
Spinning and Weaving Training Center	Cairo	207,000	

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Plant	Location	Total Cost in L. E.	Main Products
Metal Training Center	Abbassieh	132,000	
Diesel Engines	Shubra El-Kheima	120,000	Production of 6-25 HP diesel engines with a horizontal surface. Value: LE 170,000.
The Metal and Air Conditioning Training Center	Shubra	125,000	
Unified Steel Plant	Helwan	65,000	3,000 tons of small iron pieces, iron angles and window frames. Value: LE 150,000.
Underwear Items - BVD Brand	Kubbeh	100,000	150,000 dozens. Value: LE 300,000.
Essential Oils	Kutur Gharbieh	50,000	280 kilos of essential oils. Value: LE 25,000.
Tanta Spinning Mills	Tanta	1,800,000	600 tons of fine yarn. Value: LE 840,000
Refractory materials and pottery	El-Saff	600,000	12,000 tons of high refractory materials used for inside lining of ovens in glassware factories and metal melting plants. Value: LE 390,000.
Expansion of the Misr Artificial Silk Plant	Kafr El-Dawar	400,000	63 tons of nylon yarn and extensible yarn. LE 300,000 of value.
File Production Plant	Bassatin	192,000	200,000 files of all kinds. Value: LE 40,000.
Table Cloth (ShaffermanCo.)	Alexandria	20,000	200,000 sq. m. Value: LE 50,000.

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Plants which may Start Working between Aug. 15 & Sept. 15

Plant	Location	Total Cost in L. E.	Main Products
Mit Ghamr Spinning Mill	Mit Ghamr	1,000,000	600 tons of fine yarn. Value: LE 840,000.
Oil Extraction from Rice bran	Alexandria	210,000	1,200 tons of rice oil. Value: LE 72,000.
Sardine & Shrimp Preservation	Damietta	170,000	2½ million boxes of sardines, 1½ million boxes of shrimps. Value: LE 260,000.
Utilization of Aluminium Waste	Alexandria	128,000	500 tons of aluminium sheet used in cigarette and foodstuff wrapping. Value: LE 200,000.
Builders' Hardware	Mostorod	375,000	Padlocks, hinges, taps. Value: LE 450,000.
White cement	Helwan	516,000	40,000 tons of white cement. Value: LE 600,000.
Medicinal Glycerine	Tanta	180,000	1,800 tons of commercial glycerine and 600 tons of medicinal glycerine. Total value: LE 500,000.

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Plants which may Start Working
Between Sept. 15 & End of December

Plant	Location	Total Cost in L. E.	Main Products
Oil Geophysical Prospection and Drilling	Various	527,000	
Water Counters	Maassara	63,000	30,000 counters. Value: IE 85,000.
Butane gas heaters	Helwan	118,000	10,000 heaters. Value: LE 311,500
Iron sheet boxes	Abu Fil	172,000	12 million boxes (empty). Value: LE 240,000.
Fishing Nets	Port Said	125,000	60,000 tons. Value: IE 60,000 and 60 tons of fishing net yarn. Value: LE 40,000.
Caustic Soda	Alexandria	2,665,000	20,000 tons of caustic soda 100% concentrated, and 17,700 tons of chlorine. Value: LE 1,100,000.
Egyptian Transistors Company	Ismailia	100,000	10,000 apparatus for the first year, Value: IE 130,000, increased to 35,000 apparatus in the last stage, Value: LE 455,000.
Electricity and Glassware Training Center	Alexandria	170,000	
Metal and Motor Vehicle Training Center	Port Said	146,000	
Leather Training Center	Alexandria	136,000	
Electricity Training Center	Cairo	89,000	
Shebin El-Kom Spinning Mill (1st Stage)	Shebin El-Kom	3,000,000	1,200 tons of medium size yarn. Value: IE 1,400,000.

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Plant	Location	Total Cost in L. E.	Main Products
Ezzedine El-Rimaly Flour Mill	Cairo	116,000	Cylinder milling process.
Expansion of the Safaga Phosphate Plant	Safaga	226,000	30,000 tons of phosphate. Value: LE 210,000
National Paper Mill (expansion)	Alexandria	870,000	7,000 tons of wrapping paper. Value: LE 700,000.
Expansion of the Arafa Hassanein Plant	Port Said Str., Cairo	183,000	5,800 tonsof flour sweets and oriental and dry sweets. Value: LE 560,000.
Egyptian Tobacco & Cigarette Co. (Expansion)	Talbieh	600,000	Production to reach 40 million cigarettes per month.
Heavy Cotton Textile	Port Said	580,000	2 million meters of cotton textile. Value: LE 375,000, and 360,000 meters of linen textiles. Value: LE 114,000.
El-Nasr Spinning & Weaving Co.	Port Said	502,000	318 tons of knitwear yarn, 20,000 wool pullover, 28,000 cotton pull-overs, 90,000 meters of wool Textiles. Total value: IE 1 million.
Metal Stoppers	Alexandria	41,000	90 million stoppers. Value: LE 80,000.
Expansion of the Egyptian El-Gazal Plant	Mostorod	215,000	150 tons of fine yarn. Value: LE 150,000.
Expansion of the Yassin Glassware Factories	Shubra El-Kheima	143,000	Aerated water bottles and medicinal bottles, perfume bottles and drinking cups. Value: LE 550,000.
Cigarette Paper Filter Factory	Nouzha	140,000	250 million filters, Value: LE 212,000.
Conversion of the Milling Process in Sweihi Flour Mill	Alexandria	138,000	Conversion of the usual process into the cylinder process.

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Plant	Location	Total Cost in L. E.	Main Products
Dehydration of onion	Port Said	111,000	100 tons daily. Value: LE 162,000.
Production of colored pulps	Cairo	84,000	300 tons of water pulps, 75 cellulose pulps. Total Value: LE 115,000.
Artificial leather made of plastic	Shubra	61,000	300 tons yearly. Value: IE 92,000.
The Rubber Item Factory	Shubra El-Kheima	57,000	Rubber items and toys made of rubber. Value: LE 27,500.
Surgery threads	Dokki	43,000	900,000 threads yearly. Value: LE 63,000.
Expansion of the Shubra Dyeing Plant	Shubra	37,000	Dyeing of various kinds of threads and yarns for LE 64,000.
Sacks made of Plastic			
a. Abul Hol Plant	Shubra	12,600	60 tons. Value: LE 42,000.
b. El Garaya Presses	Alexandria	23,000	72 tons. Value: LE 56,000.
Popular Cigarettes Production	Fayoum	36,000	150 million cigarettes. Cost: LE 75,000.
Engineering Marble & Granite Co.	Mahmasha	33,000	Working of marble and granite for LE 84,000.
Expansion of the Egyptian Medical Cotton Company.	Heliopolis	30,000	120 tons of medical cotton. Value: LE 48,000.
Production of Oxide of Nitrogen Gas	Mostorod	27,000	5 million gallons. Value: IE 35,000.
Artificial Tooth Paste (Prodent)	Heliopolis	25,000	2 million tubes. Value: IE 200,000.
Hair Cosmetics	Alexandria	25,000	200,000 tubes. Value: LE 63,000.
Coal Prospection and Mining	Various	380,000	
Copper Prospection and Mining	Various	400,000	

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UNITED ARAB REPUBLIC
ALEPPO, SYRIA

FOREIGN SERVICE DESPATCH

FROM : AmConsul ALEPPO

37
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 6, 1960
DATE

REF : Despatch No. 116 dated February 5, 1960.

For Dept. Use Only	ACTION	DEPT.
	CONSUL	REP-1 INR-7 CA-11 E-7 NEA-4 EUR-5
	REC'D 9-12	OTHER INT-7 AGR-8 TAR-2 CIA-10 ARMY-4

SUBJECT: Syrian Minister of Industry Visits Projects and Inaugurates New Plants During Week's Stay in Northern Syria.

NSA-2 NAVY-3 AIR-6 OSD-4 Lab-6 TR-8 FRB-3 +MOS-4

Syrian Minister of Industry Wajih Samman spent the week from August 26 through September 1 in the Aleppo Muhafazat, inspecting and inaugurating economic development projects and new plants.

In the evening of August 27 he inaugurated the "Industrial Engineering Corporation of Aleppo" which will manufacture and repair engines, pumps and agricultural and electrical machinery. On August 28 the Minister laid the cornerstone of a Vocational Training Center in the Ramadaniyeh quarter of Aleppo, which will give manual training to laborers.

On August 29 the Minister and his entourage visited the Rajo iron ore deposits in the Mantiqa of Afrin, north of Aleppo near the Turkish border. In the evening of August 29, he inaugurated a new addition to an iron foundry on the outskirts of Aleppo. On August 30 the Ministerial party visited the George Salem Industrial School, the Tatari Textile factory and two confectionery factories. In the evening Mr. Samman inaugurated seven new petroleum tanks having a total capacity of 15,900 tons which are a part of the new region-wide petroleum network, and which eventually are to be connected by pipeline with the Homs refinery.

In the evening of August 31, the Minister inaugurated the East German constructed Al-Ahliyeh Cement factory at al-Misilmiyeh.

In discussing the Rajo mine at a press conference the Minister gave the following information, much of which has been reported previously (see reference):

Exploration at the Rajo site began in July 1959. To date 45 exploratory shafts have been drilled; these have revealed that the ore extends 2.5 kilometers from northeast to southwest. The thickness of the ore bed is from 8 to 16 meters, its width from 500 to 600 meters, and its iron content ranges from 25% to 45%. The chief Russian engineer in charge of the site is quoted as stating that the mine is rich enough to permit commercially profitable exploitation. Iron ore has also been discovered at Midan Akbis and 'Alamdar, seven kilometers northeast of Rajo.

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Adding a brief comment about the oil field at Karatchock, the Minister estimated that this field contains a total of 150 million tons of crude oil, and that the second Five Year Economic Development Plan for the Syrian Region includes a comprehensive plan for the exploitation of Karatchock at the rate of two million tons per year by means of a 700 kilometer pipeline westward of the sea.

Philip W. Ireland
American Consul General

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FOREIGN SERVICE DESPATCH

FROM : American Embassy, CAIRO — 372 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — November 23, 1960 DATE

REF : CERP: Section D, Item VII-A-1

DEC 8 1960

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	REC'D 12-16	INFO OTHER

2 Gen. 1 ✓ REP. 1 NEA 7 ICA 11 E 7 NEA 4 AF 5 EUR 6 USIA 10 AGR 8 TAR 2 TR 2 FRB 3 Treas 4 AIR 6 USIA 10 ARMY 6 NAVY 2 Sab 6 HEW

SUBJECT: UAR Organizes Factory Visits for Foreign Commercial Representatives.

This Document Must be Returned to the Records Center, Ellas

On Tuesday, October 11, 1960, the Ministry of Economy inaugurated a series of weekly visits to various industries located throughout Egypt for commercial representatives accredited to the UAR. A copy of the letter initiating this program, the first attempted by the UAR, and the schedule of proposed visits are attached to this despatch. Although the program supposedly will end on November 22, interest on the part of invited guests as well as on the part of sponsors within the Ministry of Economy may result in its being extended. A perusal of the attached schedule will reveal that with few exceptions factories to be visited are the well-established and successful industries. Although many of these factories have expanded in relation to Egypt's industrial growth, what most of the commercial representatives want to see are factories established since the inauguration of the first Five Year Plan in 1957, or at the very least, post-revolutionary (since 1952) factories.

The reporting officer was not present in the inaugural visit to the Melhalla el Kubra cotton spinning and weaving mill, although a number of friends among other commercial representatives provided a first-hand description of the visit. This plant is one frequently shown to foreign visitors and the Embassy has escorted numerous Congressmen, business visitors and others through this throughly modern textile plant equipped to a substantial degree with U.S. machinery. This first organized plant visit drew about 65 foreign commercial representatives, nearly all the commercial representatives in Cairo. Noticeably absent from all visits have been the Japanese. Also, most of the Near Eastern and African countries have not sent representatives, probably because they have no commercial representatives in Cairo. South Africa has been represented on all visits however. With the exception of the first visit, and the visits of November 8 and November 15 when the reporting officer was ill, all plant visits have been undertaken. Two busses are used to transport commercial representatives and UAR officials. The handling of a crowd of this size which may swell to as many as 80 persons when government and factory officials are included makes for many difficulties in scheduling and in providing adequate information to all plant visitors. It is believed that for many commercial representatives, particularly among the Sino Soybloc countries as well as the lesser developed countries of Asia, this is the first opportunity taken to proceed outside of Cairo to observe various Egyptian industries in action.

886B.19/11-2360 L:WS

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The purpose of these tours is to interest foreign commercial representatives in the UAR's industrial development program and to point out possible fields where opportunities exist either for sales of equipment or collaboration in expansion programs. While certain commercial representatives, particularly among the smaller, less developed countries, tend to look upon this program as a vacation from the normal routine in Cairo, it is believed that the majority of commercial representatives attend for the dual purpose of ascertaining for themselves what is happening under the present industrial development program and to determine what, if any, possible trade opportunities may be developed for their countries. The Sovbloc representatives in particular, including a particular large Communist Chinese delegation (about 8 persons normally), take copious notes on any piece of information volunteered, often apparently not realizing that this information frequently is available in published form elsewhere with respect to these established industries. Perhaps, this tour is more educational to the Eastern countries than to those of the West. Most Western commercial representatives, although generally restricted in travel outside of Cairo in recent years, have a more comprehensive understanding of the previously existing industrial structure in Egypt. All commercial representatives will benefit however if this program is extended beyond November 22 to include the more recently established factories, a possibility which it is understood is being considered by officials in the Ministry of Economy.

Considerable criticism could be directed at the management, direction, and scheduling of the program, but no useful purpose would be served. This is a new idea, and as with all new programs in the UAR, a certain amount of experience has to be obtained in order to determine where problems lie. The very least that can be said is that parts of the program were overly ambitious in terms of the time allowed. The two-day program to Alexandria and return had to elimiante the visit to the rice mills and was only accomplished by going from 8 a.m. to 12 p.m. the second day. Plant visits were cut drasticly short under attempts to keep somewhere near schedule. Despite there "hardships", the group as a whole accepted various inconveniences as something to be expected under the circumstances.

One useful purpose of these visits is that commercial representatives from all countries are getting to know one another better. The Communist countries generally hang together as a group but inroads often can be made by Westerners and occasionally a more intrepid member of that group will attempt to cultivate a closer acquaintanceship with a Western counterpart. On the trip to Alexandria, a member of the USSR trade delegation, Y.A.Gromov, went out of his way to make friends with the reporting officer. An invitation to visit the SS Felix Drazinsky, the Russian passenger vessel plying between Odessa and Alexandria, was extended for the evening of November 1 and the opportunity was taken along with the commercial representatives from Great Britain and South Africa to partake of a late supper consisting of such staples as caviar, and Borjomy mineral water. What may turn out to be a useful contact developed as a consequence.

000627

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Although the program was established for commercial representatives, the Rumanian Ambassador to the UAR has seen fit to personally visit each of the plants together with the group. He travels in his personal car and being the senior diplomatic guest is afforded preferential treatment in terms of such things as a personally guided tour by senior plant officials, better seating at lunches, etc. This has not endeared him to the group as a whole who compositely feel that he is intruding among the professionals and could easily arrange to visit these plants at his leisure. Perhaps it is fortunate that only one Ambassador decided to do this. One can imagine the protocol problems associated with the inclusion of two or more Ambassadors at these plant visits. The reporting officer, because of his personal acquaintance with many of the plant officials or because of the influence which U.S. equipment plays in the operation of some factories, frequently has shared a position of prominence at the luncheon table or in discussions with senior plant officials during plant tours, a fact observed by the Sino Sovbloc commercial representataves generally as well as Western counterparts. The existence of U.S. machinery in prominent Egyptian industries visited so far and its ready acceptance by UAR businessmen is a positive asset in the competition for export sales to this market. This has been an excellent opportunity to do a little flag-waving under these circumstances.

Some information of specific interest developed as a consequence of each of these visits which probably could not have been developed as easily any other way. Some of this information added to the material constantly being assembled by the Embassy on economic and commercial activities in the UAR and probably is of little immediate value to Washington end-users. There is indicated below some of the more pertinent items however which may be of general interest. In some cases involving potential trade opportunities, action by the Department of Commerce is indicated.

1. Suez Fertilizer Plant (In Receipt of a Recent $5 Million Export-Import Bank Loan).

The ammonium nitrate plant is working at full capacity, 24 hours a day, producing 250,000 metric tons of 15.5 percent ammonium nitrate. Plans exist to install a gasification unit making the plant independent of nearby refinery gas and work is progressing on the foundation of the sulfuric acid plant necessary for the proposed ammonium sulphate addition made possible by EXIMBank financing.

The company has been instructed to stop using jute bags which are bitumen lined to pack ammonium nitrate because the bags are re-used to gather cotton. Some bitumen rubs off on cotton causing "black spot" familiar to the textile industry which poses technological and financial problems. The company has a large inventory of such bags to consume and is seeking know-how and cost data on another moisture proof bag. This potential trade opportunity should be reported to the U.S. industry. The problem is transitional however. (see below)

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By CD NARA Date 8/4/00

2. Kraft Paper Plant

A Swedish Kraft paper plant is being constructed at Suez but will not be in operation until late 1961. Equipment for manufacturing paper bags to be used by the fertilizer plant reportedly has been in Suez for past five years but failure to agree on licensing or royalty payments has held up erection of this plant. Reportedly the St. Regis Paper Company is involved in any licensing agreement. This plant intends to use Kraft paper from the new plant when a manufacturing agreement finally is reached. There now is greater priority for an agreement concerning financial arrangments to be reached in view of the government's recent ruling on jute bags and the anticipated availability of Kraft paper from local sources in the near future.

3. Government Oil Refinery

Braun of Alhambra, California, consulting engineers for the proposed new cracking plant at Suez using Belayim crude, also has provided the Government Petroleum Administration with a coordinated development plan for all refinery improvements at its Suez refinery. Five or six Braun engineers presently are on site finalizing this plan.

4. Suez Canal

The Suez Canal Authority has completed a new paved road bordering the west bank of the Suez Canal from Ismailia to Port Tewfik. Work has begun on a small bridge, expected to be completed in 12 months, which will permit full length travel alongside the Canal from Port Tewfik to Port Said.

5. Misr Pharmaceutical Company

This company, established in 1941, is planning a substantial factory expansion. The company produces a line of basic pharmaceuticals and also has a licensing arrangments, including technical assistance, from the Royal Delft International Pharmaceutical Company of Holland. Company sales in 1959 were LE 800,000 and plans are to increase this to LE 5 million by 1965. The company will produce antibiotics (penicillin and streptomycin) in its new factory next year under a recently concluded agreement with the Dutch firm. The sales goal appears overly ambitious in view of plans of other pharmaceutical manufacturers, implying a necessity to find export markets.

6. Eastern Tobacco Company (formerly British-American Tobacco Company property, 87 percent of which is now owned by Economic Development Organization).

Produces about two-thirds of Egypt's cigarettes. All British machinery except for 6 AMF packaging machines, the last two of which provide the non-crushable or "flip-top" box. Company has no future development plans, having just recently expanded factory and now is building new administration building. Pays LE 50 million annually in duties to government.

000629

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Authority NND 949570
By CP NARA Date 8/4/00

7. Gianacles (wine producer and exporter)

This large land reclamation project, encompassing some 2,500 hectares located in the western desert to the south of Alexandria and bordering the Delta, is reclaiming some 300 acres annually, most of which is turned into grapes. The company produces 6 million liters of wine annually, plans to produce 10-11 million liters by 1961, and 50 million liters within 7-8 years. The wine processing and storage equipment is very primitive and if goals are to be met substantial capital investment will be required. The company exports wine, in bulk, mainly white wine to West Germany for blending. At a subsequent wine sampling ceremony the opinion of the group including assorted self-declared connoisseurs was that the company produced excellent quality wines, several of which were comparable to Europe's best.

The company is losing its principal overseer, a Greek, who is emigrating to South Africa where he will be employed on the Coutarelli estates (Coutarielli is one of three cigarette manufacturers in Egypt with extensive South African investments). Production probably will be affected by the loss of his particular skills.

8. Beida Dyers

Dyeing and finishing for Kafr el Dawar and a few nearby plants at the rate of 300,000 meters per day. New U.S. equipment was in evidence and satisfaction was expressed by the management over its productive capacity.

9. Transport and Engineering Company (tire manufacturers)

This company was established under an agreement with the Mansfield Tire and Rubber Company of Ohio which still has a technical assistance agreement. The company's immediate expansion plans include an increase in capacity and diversification of output. The company will produce bicycle tires for the first time in Egypt at the initial rate of 300,000 tires per year. The company's Managing Director made a personal plea to the reporting officer to aid them in establishing in Egypt a factory to produce 1,000 tons annually of Nylon 6, thereby permitting a switchover to the manufacture of all nylon tires exclusively. The Misr Rayon plant presumably will be responsible for financing and operating the new Nylon 6 plant. The company is now preparing specifications as to its needs and will inquire directly of principal nylon manufacturers in the United States and Europe as to the costs of such a plant.

This is believed to be a potential trade opportunity of some interest to U.S. business. It is not known whether holders of U.S. patent processes would be amendable to the establishment of a small plant in Egypt devoted solely to the manufacture of nylon tire cord, but there is real interest on the part of UAR businessmen and government planners in this proposed project. This potential trade opportunity should be reported to Dupont and other firms concerned with this development.

It appears that earlier plans of Misr Rayon to manufacture rayon tire cord have been abandoned in favor of Nylon 6.

000630

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Authority NND 949570
By LD NARA Date 8/4/00

10. Bata Shoe Factory

The company has completely modernized its manufacturing plant at Alexandria which was formally opened by Thomas J. Bata during the last week in October. The company manufactures 3 million pairs of shoes annually, largely canvas and rubber goods but with a substantial output of leather shoes. The fact that Bata now has established a new factory in the Sudan has cut back on the Alexandria factory's principal export market which amounted to some 500,000 pairs of footwear annually. Other export markets appear quite limited in view of the fact that Bata now has factories in most Near Eastern countries. The growth potential in the local market is considered fairly good however. The company's main problem is the extent to which the government may further extend price controls over its product. Some 81 items are now permitted a 12½% mark-up between factory cost and retail. The other production is permitted either a 25 or 35 percent markup over factory cost.

The present factory appears to be an outstanding example of modern production methods utilizing the latest in management techniques in the fields of production, labor training, sales analysis, distribution and merchandising. As the largest plant of its kind in the Near East, it is frequently used as a regional headquarters for sales and technical meetings.

11. Edfina Canning Factory

A noticeable improvement in efficiency was noted during this most recent visit although this company, with some 25% U.S. capital investment, still is undergoing an expansion and modernization program as the consequence of a recent DLF loan. The company's technical manager stated that they can process 12,000 cans of beans, 15,000 cans of peas and 25,000 cans of tomato paste (all cans about equivalent to our No.2) per 8 hour shift. Shrimp freezing is proceeding satisfactorily being limited only to availability of the product on the local market.

The Director of the Commercial Representation Department of the Ministry of Economy accompanied the reporting officer during the tour through the shrimp plant and stated that recently he had been receiving letters from the UAR Embassy in Washington containing some complaints by U.S. importers about the quality of certain Egyptian shrimp exports. The Embassy would appreciate any particulars that may come to the attention of the Department of Commerce or other agencies in order that steps can be taken to ensure that remedical measures are being undertaken locally by firms involved. Edfina products reportedly are not involved in these complaints.

12. Visit to Military Factory No. 54.

Insofar as the reporting officer is aware this is the first time a group of foreigners has been permitted to visit this factory located at Maadi, a suburb about 13 kilometers to the south of Cairo. This factory was initially established for the manufacture of small arms and other precision machinery and is one of the larger military factories, some 40 of which exist in Egypt. An

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elaborate tour of all the factory was arranged and guides and factory superintendents were quite free with details about the factory's output insofar as items of civil production are concerned. With respect to military items there was a natural reluctance to be specific but even here a considerable amount of information was obtained which may be of interest to Washington end-users.

With respect to military production the factory, which employees 1,000 persons on one 8-hour shift daily and reportedly cost LE 4 million, produces the "Hakim" military semi-automatic rifle, caliber 7.92 mm weighing 4 kilograms, and having a 10-shot magazine which reportedly is based on the Swedish patent design, C.J.Lungman Verkstrader (M-42B). The rifle has a drilled gas muzzle brake. The Swedish firm receives a royalty on each rifle produced which should make it possible to determine the volume of production of this rifle. Factory production is about to shift to a new rifle, the "Rachid" model which is a modification of the former rifle, using the same action, changed to 7.6 caliber however, utilizing a 20-shot magazine. The barrel has been shortened about 2 inches by removing the gas release mechanism and a short, folding bayonet has been permanently affixed to the barrel instead. As a consequence of the caliber change and the barrel shortening the range of the rifle has been reduced somewhat. This new rifle will completely replace the previous "Hakim"model according to factory technicians. While no details in production were available, it appeared evident that there was no high priority being given to the manufacture of small arms. A scrutiny of boring operations would indicate that perhaps as many as 100-barrels were being processed during one 8 hour shift. The woodworking shop which receives stock blanks from Sweden employs 40 persons and in addition to gun stocks terms out wood cabinets for sewing machines, radios and other speciality wood products related to civil products. Stock blanks were being processed only one one band saw although other machines were available. About 5,000 unprocessed stock blanks were visible in the woodworking shop.

The "Port Said" sub-machine gun is another gun manufactured in this plant and is reportedly modeled on a Swedish gun, caliber 11 mm (this may not be correct) with a 36-shot magazine firing at the rate of 400 rounds per minute.

Both guns were test fired in the indoor firing range and were quite accurate.

This factory, and apprently many of the other 40 military factories, are turning their excess capacity to the production of various items for the local civilian market. A display room exists at this factory showing all of the production of the military factories and included in addition to military items such civilian goods as: hand sprayers for agricultural purposes, windmills for water pumping, undersea spearguns, four-man racing shells, tennis rackets, radio sets (assembled from Czech components), butagaz stoves, water heaters, valves and containers, fire extinguishers, sewing machines, zippers, small locks, non-ferrous metal products, precision gauges, water meters, water valves and tap, various cast iron and cast steel products, machine tool bits and cutting tools. There was also a list of chemicals and explosives produced by this factory which included nitrocellulose, nitric acid, dynamite, aluminum powder, hexamine, formaldehyde, detonators, safety and detonating fuses. Mention was also made of the production of the "Gomhourya" training airplane.

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At Military Factory 54, the principal items of production for the local market were the "Nefertiti" sewing machine, a hand operated meat grinder and radiator cores for vehicles. The "Nefertiti" sewing machine is manufactured under license and royalty arrangments with the Swedish Husquvarna Company in either a pedal operated or electric model. A small Japanese electric motor is used to power the electric model. The cast iron housing is received from another military factory and all machining and other work done in Factory 54. The annual production goal is 15,000 sewing machines of all types. Arrangments are being worked out with the Singer Sewing Machine Company in Egypt to distribute this product in Egypt. (See D-238, October 14, 1960)

The goal for the production of meat grinders is 20,000 annually. The capacity of the radiator shop is 6,000 units of different sizes annually although the planned goal, once the UAR establishes its own automobile manufacturing industry, is considerably higher than this. It is not believed that actual production rates for those civilian products are anywhere near existing production goals. Among new products under consideration for future production at this factory are surgical instruments and new type of cutting and production tools.

The factory layout and physical equipment was among the best seen in Egypt to date. The factory was officially inaugurated in 1954. A considerable variety of machine tools, mostly from Germany, but including Swedish, some Czech and USSR equipment and a couple of U.S. boring machines, was located in a modern factory arrangment planned by Swedish engineers. The factory manufactures its own cutting tools. An interesting development was that all of the equipment without exception apparently has been supplied by the Swedes with payment to them under the terms of their financial and technical agreement with the military. This implies that the UAR paid hard currency for its Czech and USSR equipment delivered via Sweden. Some Swedish technicians were observed in evidence, in the background, during this visit.

The company has its share of labor problems, training workers to proficiency who leave to find better paying jobs in private industry. A small wellequipped factory training school is operated. It takes about 3 months to train workers before they are put on the production line. Most of the factory managers appear to have been given training in Sweden at the Husquvarna factory.

When queried about possibilities for U.S. firms to supply various raw materials utilized in the factory it was indicated that opportunities possibly might exist for the supply of barrel steel for rifles and pine stock blanks for rifles. There was some evidence that perhaps the supply arrangments with Sweden were not the best obtainable in the view of some factory officials. Whether this relates to difficulties in paying hard currencies for products received is not certain. It was indicated that perhaps lumber for gun stocks could be obtained from the Sudan in the future. U.S. firms may wish to write directly to the Military Factories Administration, Ministry of Defense, Cairo, U.A.R. should they wish to quote on products utilized in the manufacture of any of the items now being produced by the military factories.

00633

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By CD NARA Date 8/4/00

13. Iron and Steel Mill

Although factory representatives maintained that iron and steel production now is at the rate of 75 percent of existing 200,000 tons annual capacity, the tour of the iron and steel mill at Helwan was not very enlightening. The group apparently arrived at a very slack period in production.

It was stated that Egypt is exporting steel billets and sheets to both Yugoslavia and Italy for reprocessing into finished products needed by the country. Presumably this is done under existing trade agreements because such an operation appears to be economically unsound.

Present plans for the iron and steel mill include an ambitious project for the installation of hot roll and cold roll strip mills to begin operation in about 5 years time. Presumably these are to be related to the planned automobile industry as well as other needs of the country. This would be a substantial additional investment for the company. (government-owned)

14. Misr Fine Yarn and Weaving Factory Helwan

This company which is well on the way to becoming the second largest textile mill in Egypt is still undergoing expansion operations with many new buildings being erected. The company's productive capacity is now 70 million meters annually. Looms and spinning equipment are from Czechoslovakia, Switzerland, Belgium, France, and East and West Germany. The production of machine lace has begun using Czech equipment. Cotton is spun at this mill and rayon thread from the Misr Rayon Company is woven into cloth.

This was a very poor tour with little, if any, explanatory information provided by company officials.

The Embassy will report any significant developments with respect to future factory visits under this program.

For the Ambassador:

T. Howard Peters
Commercial Attache

Encl:
Ltr. from Min. Economy

cc: Alexandria;Damascus;Aleppo;Port Said

Approved:
Frederic K. Lundy
First Secretary of Embassy

78

000634

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By LD NARA Date 8/4/00

MINISTRY OF ECONOMY

Commercial Representation Department

CAIRO

September 27th, 1960

File No. 401/8/1

N O T E

The Commercial Representation Department, Ministry of Economy of the U.A.R. (Southern Region), present their compliments to the Commercial Representatives accredited to CAIRO, and have the honour to communicate the following:

Wishing to acquaint the members of the offices with the latest development in the U.A.R., and make available first hand data of the progress in the various fields of production,

The Department is organizing collectives visits as per the attached program.

All heads and members of the Commercial offices are welcomed, and kindly requested to write to:

Mr. Samir Abdel Galil, the Commercial Attache to this Department, giving the names and specifying the visits they wish to join.

The Commercial Representation Department hopes to have You among their guests in these visits, and should appreciate to receive Your reply before October 5th, 1960.

00635

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By CD NARA Date 8/4/00

P R O G R A M

Tuesday, 11 October 1960

9:00 a.m. Travelling by cars to El-Mehalla El-Kobra to visit the factories

Having lunch

3:00 p.m. Returning to Cairo

Tuesday, 18 October 1960

9:00 a.m. Travelling by cars to Suez to visit the fertilizers' factory and the refineries

Having lunch

Returning to Cairo

Tuesday, 25 October 1960

9:00 a.m. Visiting Eastern Company at Giza

Having lunch

Visiting "Pharmaceutical Products Company of Egypt"

Tuesday, 1st November 1960

8:30 a.m. Travelling by cars to visit the Grape Factories "Gianaclis"

Visiting Misr Beida Dyers at Kafr El-Dawar

Having lunch at Alexandria

Visiting the rice mills

Visiting the "S.A.E. des Chaussures Bata"

Spending night in Alexandria

Wednesday, 2nd November 1960

9:00 a.m. Visiting "Transport and Engineering Company" (rubber tires 'Nisr' producers)

Future - Market (Cotton)
Cotton - Testing Bureau

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Wednesday, 2nd November 1960 (cont.)

Having lunch

Visiting Edfina Canned Food Company

Returning to Cairo

Tuesday, 8 November 1960

9:00 a.m. Visiting the Cement Factories

Tuesday, 15 November 1960

9:00 a.m. Visiting Delta Trading Company factories "Ideal"
(refrigerators - steel furnitures)

Visiting Glass Factories (Yassin)

Visiting Biscuits Factories (Besco-Misr)

Tuesday, 22 November 1960

9:00 a.m. Visiting the Military Factories "Civil Production"

Iron and Steel Company factories at Helwan

Artificial Silk Company factories at Helwan

N.B.

The departure from the Ministry of Economy, Lazoghly, Cairo.

* * * * * *

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DEPARTMENT OF STATE INSTRUCTION

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FOR RM/R USE ONLY

NO.: A-102 January 11, 1961

SUBJECT: Foreign Commercial Representatives Visit U.A.R. Factories

Reference: Embassy's D-372 of November 23, 1960

TO: The American Embassy, CAIRO

FROM COMMERCE

Reference is made to the Embassy's D-372 of November 23, 1960 concerning the visit of the Commercial Attache and other foreign commercial representatives to various factories and industrial sites in Egypt.

The information on the progress of these development projects is of interest and use to the Department in analyzing and evaluating industrial development in the U.A.R. since the inauguration of the first Five Year Plan in 1957 and the market potential for U.S. goods and services in that country.

The trade and investment opportunities contained in the despatch under reference are being made known to U.S. business as requested by the post.

To cite an example, the interest of the Managing Director of the Transport and Engineering Company in obtaining U.S. assistance in the establishment in Egypt of a factory to produce Nylon 6 has been reported to Dupont. This interest also is being made known to the Hand-Made Fiber Producers Association of New York City for dissemination among its members.

Concerning the desire of the Suez Fertilizer Plant to obtain U.S. know-how and cost data on producing a moisture proof bag, information on the following points is needed by the Department to present this opportunity effectively to appropriate U.S. trade associations and individual firms: (a) Dimensions and capacity of bags (b) Specifications of contemplated paper bags to be manufactured when the licensing and royalty situation is settled (if available) (c) Degree of moisture proofing required (d) Amount of bags to be purchased (e) Designation of use, i.e., for export or domestic commerce (f) Name, address, and cable code of company.

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DRAFTED BY: H. P. Van Blarcom, Director, Trade Development Division - JMSwing:AM

APPROVED BY: E/REP:MHMitchell:tll 1/11/61

CLEARANCES:

1/10/61

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The reporting officer is commended for his informative and useful comments on factories planned or established under the U.A.R.'s first Five Year Plan. Opportunities for U.S. business to participate on a selective basis in those undertakings appear to be promising and will be given by the Department the widest possible circulation in U.S. business circles.

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CONFIDENTIAL
Classification

Control: 1864
Rec'd: DECEMBER 3, 1960
3:14 PM

FROM: CAIRO

TO: Secretary of State

NO: 1043, DECEMBER 2, 5 PM

SENT DEPARTMENT 1043, REPEATED INFORMATION BRUSSELS 6, LEOPOLDVILLE 24

DECREES NATIONALIZING (1) BANQUE BELGE, (2) CAIRO ELECTRIC RAILWAYS AND HELIOPOLIS CASES COMPANY ISSUED DECEMBER 1. CAIRO TRAMWAYS COMPANY AND EGYPTIAN ELECTRIC COMPANY SUBJECTED TO "ADMINISTRATIVE SEQUESTRATION". BANQUE BELGE SHARES CONVERTED INTO TWELVE-YEAR FIVE PERCENT GOVERNMENT BONDS, VALUE TO BE FIXED BY THREE-MAN COMMISSION (1) PRESIDENT COURT APPEALS CAIRO, CHAIRMAN; (2) STATE COUNSELOR MINISTRY ECONOMY; (3) UNSPECIFIED MINISTRY ECONOMY DELEGATE. VALUE NOT TO EXCEED CLOSING PRICE NOVEMBER 30 CAIRO EXCHANGE. BONDS NOT NEGOTIABLE UNTIL AFTER DATE TO BE SET BY MINISTER ECONOMY. LAST QUOTATION BANK SHARES NOVEMBER 29, LE 10.500.

ALL COMPANIES PRIMARILY BELGIAN. NO OFFICIAL REASON YET GIVEN FOR NATIONALIZATION BANK. PRESS EDITORIALS FRANKLY CLAIMED ACTION RETALIATORY BECAUSE ALLEGED BELGIAN RESPONSIBILITY UAR/CONGO DIPLOMATIC BREAK. NEWLY DESIGNATED BOARD BORSEATORS BANK COMPOSED LITTLE-KNOWN FIGURES EXCEPT LUTFI AL-BANNA, UNDER SECRETARY, MINISTRY ECONOMY. EVEN EGYPTIANS ON OLD BOARD, MOSTLY COPTIC, FAILED SURVIVE.

BANK FACED EGYPTIANIZATION FEBRUARY 1962 ALONG WITH OTHER FOREIGN BANKS BUT NOT NECESSARILY NATIONALIZATION. RUMORS HAD BEEN CURRENT GOVERNMENT WOULD BUY SHARES, ALSO DEAL REPORTEDLY SETTLE PURCHASE MAJORITY SHARES BY KUWAITI INTERESTS, WHICH ENDEAVORING OBTAIN EXEMPTION ARAB NATIONALS FROM EGYPTIANIZATION LAW. POSSIBLE GUAR; IN ADDITION RESENTMENT ALLEGED BELGIAN ACTIONS CONGO, SAW OPPORTUNITY ESCAPE KUWAITI PRESSURE, SINCE MINISTRY

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886B.19/12-260

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By CP NARA Date 8/4/00

SINCE MINISTRY ECONOMY OFFICIALS EVEN MORE RELUCTANT SEE OTHER ARAB NATIONALS IN BANKING BUSINESS EGYPT THAN WESTERN NATIONALS.

FURTHER COMMENTS NATIONALIZATION OTHER COMPANIES SUBSEQUENT TELEGRAM.

REINHARDT

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By CD NARA Date 8/4/00

INCOMING AIRGRAM *Department of State*

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PAGE 1 OF 2 PAGES

34 Action

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Date Sent: December 6, 1960
Rec'd:

FROM: American Embassy, CAIRO

TO: Secstate, WASHINGTON

NO: G-304

DEC 8 3:11 PM '60

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The December 1 decrees nationalizing Bank Belge, Cairo Electric Railways and the Heliopolis Oasis Company, as well as sequestration of the Cairo Tramways Company and the Egyptian Electric Company (Embtel 1043) was followed on December 2 by a decree placing under sequestration the following primarily Belgian properties:

1. Shepheard's and Egyptian Hotels Company
2. The Egyptian Company for Metallurgy and Mechanical Construction
3. The African Enterprises and Development Company

Aside from Bank Belge, all the above firms were closely tied to the Cairo Electric Railways and the Heliopolis Oasis Company, a firm controlled by the Belgian transport firms, Electro Bel and Electro Rail. A small firm associated with this group, but not yet taken over, is the Egyptian Heavy Construction Company. Also remaining untouched is a 25% interest of the Belgian Petrofina Company in the Eastern Petroleum Company. Based upon 1959 balance sheets, the combined assets of the companies taken over, including Bank Belge, exceed LE 39,000,000.

Apart from the element of retaliation against alleged Belgian conduct in the Congo cited in Embtel 1043, UAR authorities claim the reasons for taking over Belgian transport firms were "corruption and mismanagement" as well as the failure to undertake specific improvements in services as provided in the concession. The Egyptian Electric Company, the source of power to both Cairo Tramways and Cairo Electric Railways, allegedly was failing to deliver sufficient power to operate all trains and trolley buses. A reason of subsidiary importance seems to have been the classification of these transport and electric power firms as public utilities whose operation ought to be at least municipal. Similar rationale was used to justify the "Municipalization" of Cairo bus companies last May.

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So far, there has been no official explanation for sequestration of Shepheard's and Egyptian Hotels Company, African Enterprises, and the Metallurgy and Mechanical Construction firm. However, as noted above, all these firms were controlled by Heliopolis Oasis, and may have been sequestrated to avoid their use as a possible escape channel for assets of the other firms.

A Belgian Embassy source states that some kind of showdown regarding the transportation firms has been in the offing for some time. As reported in Embassy Dsp , the Belgians have been attempting to evade strict application of the Egyptian Company Law by suggesting the formation of a joint Egyptian/Belgian enterprise to operate both firms. That negotiations was regarded apparently as purely a holding action. The concessions of Cairo Tramways and Cairo Electric Railways would have expired by 1975, and the Belgian owners really did not care very much how the matter was resolved, according to the source. That viewpoint is contradicted by the fact that the latter firm published a tender for supply of new streetcars little more than a year ago.

Further details will be forwarded by despatch.

REINHARDT

ECON:TSArnold:dm
12-6-60

ECON:RBWhitman
ECON:FKLundy

ECON:MLAnschuetz

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Authority NND 949570
By CD NARA Date 8/4/00

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RG: 059

TAB #: 1

ENTRY: CDF60-63

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PAGE 1 OF 1 PAGES

FROM: Amembassy, CAIRO

Date Sent: Dec 27 1960
Rec'd: 5:40 p.m.

TO: Secstate, WASHINGTON

NO: G338

JAN 4 3 13 PM '61

RPTD TO: AMUSSRIS G 12 :ALEXANDRIA C68 :PORT SAID C56 :DAMASCUS G114 :AIRPO G50 .

According to a Belgian Embassy source, the Egyptian branch of the Societe International de Wagon Lits, has been placed under sequestration. Wagon Lits is said to be primarily a French firm but its corporate seat is Brussels. Probably sleeping cars operated by the firm will be turned over to the Egyptian State Railways.

The source also reports that efforts are being made to establish a method for sequestering the Petrofina interest in the Eastern Petroleum Company, but the government has been unable thus far to trace corporate ownership to Belgium. Petrofina is reportedly of Panamanian registry.

Disregarding for the moment charges of "corruption and mismanagement", official justification for sequestering Wagon Lits is simply "it is Belgian". Presumably earlier nationalization or sequestration of Belgian property is considered sufficient precedent. There has been no indication of the manner in which compensation for either Belgian or French interests in Wagon Lits will be made.

The Embassy believes the sequestration of this dominantly French property will markedly lower the international standing of the UAR unless an immediate offer of compensation is made. While the psychological umbrella of the Congo question might cover further takeovers of Belgian property, French holdings are another matter. It should be noted, however, that recent Arab League Economic Council resolutions asking for a boycott of the French over Algeria could be and probably will be used as an excuse. The fact that Wagon Lits is part of a public utility otherwise wholly owned by the government may also be used.

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6 January 1961

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JAN 26 1961

FOREIGN SERVICE DESPATCH

FROM Amconsul DAMASCUS

259
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 23, 1961
DATE

REF : CERP Section D, Item VII-A-2, 6

For Dept. Use Only	ACTION	DEPT.
	NEA-3	RM/R-2 Ref-1 ICA-11 INR-7 E-3
	REC'D 2-4-61	INFO OTHER Com-10 CIA-10 TAR-2 FRB-2 ARMY-6 NAVY-4

SUBJECT: Industrial Development Climate: Potential Limits on the Use of DLF Loan to Industrial Bank in the Syrian Region

Agr-8
DLF-7

The Director General of the Industrial Bank in the Syrian Region and several members of the Bank's board recently entertained USOM Director WHITMAN from Cairo and an officer of the Consulate General at a luncheon. Possibly with a view to influencing the attitude of the United States in the administration of the subsidiary loans, the discussion was led by the Syrians into the field of industrial development.

The Syrian representatives contended that the most essential industrial development at the present time was for machinery and equipment to round out existing textile plants. They asserted that these plants need finishing, dyeing, and printing equipment to make the existing business reach its maximum economic return.

One of the directors, Mr. Khalid AYYUBI, who is also a senior official in the Central Bank, insisted that the large number of small plants which have been built in the past year or two for diverse industries were really only packaging or processing units of only slight value to the economy of the country. He included in this category highly touted ventures such as the Ride Plant which employees 15 people to mix imported detergent materials through imported machinery into boxes, the wire and cable factory which does much the same with another material (and is now unable to operate fully because it cannot get the foreign exchange to pay for its raw material), the office furniture, refrigerator, and proposed Chrysler Assembly Plant. Mr. Ayyubi wants to see industries developed which are based on indigenous products in which the country could gain enough foreign exchange to buy goods which require the materials and skills not readily available here now. By way of making his point, he saw no reason why the Syrian Region should export 90,000 metric tons of cotton when, excepting for the financing of the machinery, the Region could produce and export 90,000 metric tons of finished goods.

While others supported his thesis, Mr. Ayyubi contended most strongly that the most immediate opportunity for industries development in the Syrian Region was in the textile industry. As he sees it, 90,000 metric tons of cotton are turned into finished goods elsewhere, while under the more desirable conditions, these could be of Syrian manufacture to the benefit of the Syrian economy. No other

(Note: DLF has sent message explaining textile applications are on an understanding case basis for DLF review. No further action indicated.)

PEHaring:cje
REPORTER

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agricultural or other indigenous industry can foreseeably be developed to improve the Region's foreign exchange earnings direct, in his opinion.

Since plants for about 22,000 spindles each are currently to be constructed at Homs and Hamah, Mr. Ayyubi contended these plants should be eligible for DLF financing loans from the Industrial Bank.

The representatives noted that so far they have received only five or six loan applications for the use of dollars under the DLF loan agreement. These they said were all for textile machinery, excepting the cotton seed oil plant, subject of Despatch No. 234 of January 11, 1961.

Mr. Ayyubi made the estimate that no more than 20 percent of the $5 million loan would be used in the next several years, unless the DLF takes a "generous and understanding attitude" toward loans for the textile industry.

Although he acknowledged that there was a wide increase in the interest of Syrians in investing in industry, the people with big money were all identified with textiles basically and it was only they who could afford the higher priced US equipment and machinery. This was further true since "the textile industry has established itself on a 20 percent profit basis", but the smaller operators in other fields do not have this margin or the capital to start with. Hence, they are disinclined to take the risk. He believed that an early high rate of use of the $5 million loan through the textile industry applications which exist would encourage investors in other lines to make use of the Industrial Bank in the future.

For the Consul General:

Philip E. Haring
American Consul

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886b.19/3-961
ALEXANDRIA U.A.R.

FOREIGN SERVICE DESPATCH

FROM : AmConGen ALEXANDRIA RM/R 214 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 9, 1961 DATE

REF : ConGen D-182, February 9, 1961

	ACTION	DEPT.
For Dept. Use Only	NEA-4	RA/R-2 Ref-1 INR-7 E-7 L-2 ICA-11
	REC'D 3-15-61	INFO OTHER Com-10 CIA-12 TAR-2 WAB-6 USIA-10

SUBJECT: Nationalization of Import-Export, Manufacturers' Agencies Foreseen

There is attached herewith as of possible interest to the Department a memorandum of conversation reporting the opinion of a well-informed local manufacturers' representative that in view of the economic philosophy President Nasser clearly set forth in his recent speeches in Syria, the nationalization of import-export and manufacturers' agencies in Egypt may be expected to take place not later than 1962. The representative told the reporting officer that he had previously believed this nationalization would not take place until 1965, with the advent of the second five-year plan. We understand that some 7,000 manufacturers' representatives in Egypt would be affected. The informant said that anticipating eventual nationalization, those engaged in his field of endeavor are now maintaining their business affairs in as liquid a state as possible to avoid being caught holding the bag with heavy unpaid obligations such as the pharmaceutical trade had when their assets were nationalized at cost, leaving them no margin with which to pay overhead and other debts. The agent expressed his conviction, further, that the importation of all raw materials for industry will very shortly be handled exclusively by government firms and said that Egyptian Embassy and Consular Commercial officers, like their Soviet Bloc counterparts, were already serving as government purchasing agents abroad, thus eliminating both manufacturers' agents and import agencies. He also documented widespread reports of government corruption in the granting of import licenses with a graphic example from his own experience.

Harlan B. Clark
American Consul General

1961 MAR 17 PM 3 13
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Copies sent to: AmEmbassy CAIRO

Department pass to: AmConsul PORT SAID

Enclosure: Memorandum of Conversation dated February 28, 1961

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Page 1 of
Encl. No. 1
Desp. No. 214
From ALEXANDRIA

MEMORANDUM OF CONVERSATION

DATE: February 28, 1961

SUBJECT: Nationalization of Import-Export, Manufacturers' Agencies Foreseen

PLACE: American Consulate General, Alexandria

PARTICIPANTS: Mr. Jack Abboud, Commercial and Timber Agencies, Alexandria
Rupert Prohme, American Consul in Alexandria

In the course of a conversation in my office this morning, Mr. Jack ABBOUD, partner with his father in the Commercial and Timber Agencies, (Manufacturers' Representatives) Alexandria, told me that up until this year he had felt, along with many others in his line of work, that after 1965, or the beginning of the second five year plan, the entire UAR economy would be nationalized or socialized or irreversably on the way to it. Now, as the result of President Nasser's speeches in Syria, together with other evidences of the implementation of his economic philosophy in Egypt, he is convinced that the total socialization and nationalization of Egypt will be speeded up and that import-export and manufacturers' agencies will be nationalized by 1962. It is his conviction that President Nasser should always be taken at his word and that to understand the trend of policy in Egypt, one should not be influenced by wishful thinking, but by President Nasser's clearly expressed economic philosophy. As Mr. Abboud sees it, President Nasser feels that private enterprise is chaotic, engages in economic exploitation for selfish purposes, and inherently fails to promote the national interest.

Mr. Abboud said that the Government's Registrar of Foreign Manufacturers' Agents now requires that copies of all new contracts signed by individual Egyptian agents with foreign companies be submitted to the Registrar. This Registrar office, which Mr. Abboud believes will in time become the sole representative of all foreign firms in Egypt, is now studying all contracts and learning just what each requires. Then when the decision is made to take over - and that decision can come in the course of this year or at the latest next year - the government will merely inform the various foreign firms represented in Egypt that henceforth the government agency will represent them. The commissions previously paid to the private firm in question will henceforth be paid to the government agency.

Mr. Abboud confided that he and others in his profession were now hedging against the day of nationalization by drawing up different types of contracts with the foreign firms they represent. For example, he has ceased working on a commission basis for one Swedish firm he represents and is now working on a straight salary, paid in Egyptian pounds. His work entails providing the Swedish firm with information on Egyptian

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marketing conditions: prices, supply situation, competition in the field, potential new markets, etc. If and when he is forced to give up his business to the government agency, he will merely have the Swedish firm terminate his contract. The government will then have nothing, the contract having been a personal one with him, and above all he will not be saddled with financial obligations that he won't have the resources to meet.

Mr. Abboud pointed out that when the government nationalized the pharmaceutical importing trade, the government bought the importers' supplies at cost, leaving many with obligations and financial commitments that they had considerable difficulty in meeting, since buying drugs at cost without some profit to cover overhead and other costs can leave an importer in an embarrassing financial predicament.

Mr. Abboud said that he did much business with Ahmed ABBOUD'S (no relative) fertilizer plant at Aswan through the company's Cairo office. He said the UAR Government already has its representative in the Abboud Cairo office understudying the management so that when the firm is eventually nationalized there will be no difficult interim period and the business will assumedly continue smoothly.

Mr. Abboud added he was now convinced that the importation of all raw materials for industry would be handled shortly exclusively by government firms. He said that Egyptian Embassy and Consular Commercial officers are now serving as purchasing agents for their government, thus eliminating both manufacturers' representatives and import agencies.

Meanwhile, Mr. Abboud pointed out, before the final nationalization takes place, business is continuing in the traditional Middle Eastern manner here. As evidence of this, Mr. Abboud cited an example of the widespread corruption that now obtains in the importation field, a corruption into which members of the Nasser regime have apparently entered with glee, vim and vigor. He recounted that the other day a Ministry of Industry representative from Cairo called at his Alexandria office and recounted the following: "I have before me in my office in Cairo a request for a license for the importation of machinery for the manufacture of tin cans at a stated price. I would suggest that you write three European firms that you represent and inform them that if they can offer a bid for the machinery at a lower price than that indicated in the request for the import permit, copies of which I am leaving with you, they might get the bid." For this Mr. Abboud was to cut the Ministry of Industry representative in on a percentage of his firm's commission and in turn his firm was of course guaranteed the import license on behalf of the local manufacturer seeking the machinery. As the Egyptian official rationalized it: The local manufacturer will get his machinery at a lower price; Mr. Abboud's firm will get business (even though at a reduced commission) and last, but by no means least, the Ministry representative will get his "baksheesh".

Another local businessman, a Swiss citizen, the Middle East Representative of Alcan of Canada, told the reporting officer that he was

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getting fed up with providing bids with specifications and prices to Egyptian firms, only to learn that his papers were being copied and used to drive bargains with other suppliers, particularly from the Soviet Bloc.

RProhme/lc
March 9, 1961

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30 MARS 1961
ALEXANDRIA U.A.R.
March 30, 1961
DATE

886B.19/3-3061

FOREIGN SERVICE DESPATCH

FROM : AmConGen ALEXANDRIA

227
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON

786B-00/6-1760

REF : ConGen D-275, June 17, 1960; D-200, Feb. 28, 1961

ND-8864-D

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For Dept. Use Only	ACTION	DEPT.
59	Com-12	Rep-1 Nea-3 INR-7 ICA-11 E-3
	REC'D 4-3	INFO OTHER Agr-8 TAR-2 FRB-2 TR-3 Lab-6 CIA-10

SUBJECT: Liberation Province Industries to be Transferred to Tanta; Local Firms Asked to Foot Bill

SUMMARY

The Governor of El Gharbiya Province has asked businessmen in Tanta to defray the costs of moving three unsuccessful industries from the Liberation Province to Tanta. One firm's refusal to put up the total amount of the share assessed against it has led to obstructionist tactics against the firm's operations on the part of local officials. These developments provide additional insight into the extreme difficulty private industry in this district is experiencing owing to government interference and apparent inefficiency in administration.

* * * * * * * * * *

For some time the Consulate General has been hearing reports that three industries established in El Tahrir ("Liberation") Province have not been at all successful. We have heard criticism of alleged gross inefficiency in management and of the inability of the government to introduce and train the right kind of labor for these three plants which reportedly are making consumer goods including shoes, clothes and small rubber items such as toys. (Our informants did not have precise information on these plants.) The enclosed Memorandum of Conversation with Emile EMAD, Production Manager of the Societe des Huileries et Savonneries SAE of Tanta, indicates that for some weeks the Governor of El Gharbiya Province, Mr. Omar Mohamed SA'FAN, has been endeavoring to raise funds through the sale of shares to prominent businessmen in Tanta in order to defray the costs of re-establishing these three plants in Tanta. It will be noted that the Governor looked to Naief EMAD, who is the senior member of the prominent family which is active in a number of soap and oil factories in this consular district (of which the principal one is the above-mentioned Societe des Huileries et Savonneries), to purchase the largest block of shares in this undertaking. When Mr. Emad refused to buy more than a token number of shares the Governor was miffed and a day or so later the street in front of the factory used by the firm's trucks was declared a one-way street and it was prohibited to park vehicles on it. Since this makes it necessary for trucks to make a detour of several miles when approaching from the Cairo road, it would normally constitute a great inconvenience to the firm and the prohibition against standing or parking in front of the plant

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would make it extremely difficult for it to carry on operations. However, as noted in the ConGen's reference D-200, Feb. 28, 1961, production of soap at this factory was discontinued in December owing to the failure of the government exchange for it to use in purchasing tallow, and while its cottonseed oil pressing factory and hydrogenation plant has continued to operate the cottonseed cake which results from this manufacturing process has been stored in the plant premises. Mr. Emile Emad thought that it would be possible to arrange for the removal of these onerous restrictions, and the incident was not reported by despatch at that time since I wished to ascertain the results of his endeavors.

In a conversation on March 25 I was told by Neema EMAD, manager of the company, and son of Naief Emad, that efforts to remove the prohibition on parking cars in front of the factory of using the street for two-way traffic had thus far been unsuccessful. Mr. Emad said that new supplies of tallow would arrive within three or four weeks and soap production at the factory could thereafter be resumed. At about the same time it would be possible to ship out the thousands of tons of cottonseed cake that had been accumulating in the company's premises and it would require about 150 trucks per day to handle the traffic in and out of the factory. This would make it necessary for some trucks to be parked outside the factory while waiting in line for their turn, and it would also necessitate two-way use of the street if business was not to be seriously hampered. He thought he would wait until that time before trying to bring any more severe pressure on the local authorities such as an appeal directly to the President. As noted in ConGen D-188, Feb. 15, 1961, the Emad family has maintained good relations with local officials which they value highly and are distressed that the matter has not thus far been handled satisfactorily. They also have ready access to close relatives of President Nasser and believe that they could obtain his support, particularly since the company employs some 1400 residents of Tanta whose livelihood would be affected if the plant is not permitted to operate efficiently. Neema Emad told me that in an endeavor to mollify the Governor his father had raised to L.E. 6,000 the amount he was prepared to invest in the undertaking for the bringing of these three inefficient industries to Tanta. This would mean that the elder Emad would have contributed the sum of L.E. 5,000 to the Governor's Fund (see enclosed memorandum) and L.E. 6,000 to the new project, for a total of L.E. 11,000 in all, with the almost certain likelihood that they would never again see this money or have any benefit from it. The Governor is still not satisfied with this munificent contribution and the outcome of the affair is still very much in doubt.

786A.00/3-2561 Neema action 4/

On a visit to Tanta yesterday I was told by Dr. Paul JAMIESON, Director of the American Mission Hospital, that he could not imagine that the Governor intended to bring the operations of Tanta's most important industry to a halt. His comments on the importance of the contribution which the Emad family made to the El Gharbiya Province are reported in Enclosure No. 2. The Governor was away from Tanta, reportedly escorting the President

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the
of Swiss Federal Council through the textile factory at Mehalla El Kubra, but I was cordially received by several of his assistants. From all appearances conditions in Tanta are pretty much the same as I found them last June, as reported in the reference D-275, and even apart from the cessation of soap production local business conditions remain poor.

Harlan B. Clark
American Consul General

Enclosures:

1) Memorandum of Conversation dated Feb. 24, 1961.

2) Memorandum of Conversation dated March 29, 1961.

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Page 1 of
Encl. No. 1
Desp. No. 227
From ALEXANDRIA

MEMORANDUM OF CONVERSATION

DATE: Feb. 24, 1961

SUBJECT: 1) Plan to Transfer Three Unsuccessful Factories from Tahrir Province to Tanta;
2) Pressure by Local Authorities on Mr. Emad's Firm to Make Financial Contributions, and Other Difficulties

PLACE: Lake Maryut

PARTICIPANTS: Emile EMAD, Societe des Huileries et Savonneries SAE, Tanta
Harlan B. CLARK, American Consul General in Alexandria

Mr. EMAD said that the local authorities had let it be known that three factories in the El Tahrir Province which Mr. Emad understands had not been a success will shortly be transferred to Tanta. In response to my inquiry he said that the three factories were ones making shoes, clothes and some sort of rubber products, respectively. The catch was that no funds had apparently been appropriated for the transfer of these plants and local capital must be found in Tanta to "purchase" the three plants and finance their operation. The total cost would be L.E. 120,000 and shares would be issued in the denomination of L.E. 2 each. Mr. Emad said that seven local prominent "capitalists" were being asked to buy up the total number of shares. Mr. Naief EMAD (the "patriarchal" head of the wealthy Emad family) had been asked to purchase 10,000 shares valued at L.E. 20,000 some two weeks ago. Emad interrupted his story here to say that two months ago the elder Emad had been asked to contribute L.E. 5,000 to a so-called "Governor's Fund". He had done so, although to this day no one in the family knows to what use the pounds collected are being put.

The elder Emad told the individual who approached him regarding the purchase of shares that he could not possibly spare L.E. 20,000 for this purpose, pointing out that his family's enterprises had expansion plans of their own which would take every bit of extra capital that could be found. (Neema Emad told me a week ago that he was planning to purchase equipment in Germany to produce edible food oil from cottonseed by means of the so-called solvent process, and that this equipment would cost around 1,750,000 Marks.) The elder Emad said that he wanted to cooperate in the proposed project for the transfer of three factories to Tanta and that he would make a "token purchase" of 1,000 shares of stock in the concern. This would mean that he would have paid the L.E. 5,000 to the Governor's Fund and an additional L.E. 2,000 for the project in question.

Emile Emad said that the decision of the elder Emad was received with no enthusiasm at all and that for the second time in a month the street in front of the factory had been declared out of bounds for trucks and for the parking of cars. On the previous occasion Mr. Emile Emad had been able to persuade the senior police officials in Tanta to overrule the Director of Traffic, and the signs prohibiting the parking of cars and the use of trucks on this thoroughfare were taken down.

...Emile explained...

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Authority NND 949570
By CD NARA Date 8/4/00

Emile explained that this previous order had been due to a refusal of the company to contribute a certain amount of money for a police benefit. Now that the matter had been raised anew, Emile Emad felt that it would be harder to persuade the authorities to remove the ban on the use of trucks. He did not know what the end result would be since it must be clear to everybody that if the trucks were not permitted to come into the soap factory, there would be no possibility in bringing in raw materials or delivering the finished products of oil and soap produced in the factory. It had already been made clear to the authorities that the soap factory employs 1400 citizens of Tanta and is the largest single enterprise there. Emile said he felt that if President Nasser knew of this "silly" traffic order he would be extremely annoyed and Emile would not hesitate to approach the President if he could not obtain satisfaction locally. This is only one of many types of pressure being brought to bear on the firm and the end will probably be that the firm will eventually have to close its doors or be taken over by the central government. Mr. Emad said that 90 percent of the firm's difficulties stem from interference and lack of cooperation on the part of the central government.

HBClark/lc
Feb. 25, 1961

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Page 1 of
Encl. No. 2
Desp. No. 227
From ALEXANDRIA

MEMORANDUM OF CONVERSATION

DATE: March 29, 1961

SUBJECT: The Important Contributions of the Emad family to El Gharbiya Province

PARTICIPANTS: Dr. Paul Jamieson, Director, American Mission Hospital, Tanta
Harlan B. Clark, American Consul General in Alexandria

In a conversation at lunch today Dr. JAMIESON said that the hospital's relations with the local authorities remain good and the Governor was especially appreciative of medical treatment Dr. MISHRICK had given him following an injury to the Governor in an automobile accident about two months ago. He knew that the Governor was being difficult with the soap factory owing to his dissatisfaction with the amount contributed by Naief Emad to some fund or other sponsored by the Governor.

Dr. Jamieson had heard that the Emads are wondering whether the government plans to take over their soap and oil factory. He could not believe this would happen, and if it did it would surely destroy any confidence Dr. Jamieson had in what the government was trying to do in this country. He had never seen a more efficient group of businessmen than the Emads and they were widely known for their public spirit and philanthropy, from which the hospital itself continually derives much benefit. Naief EMAD contributes heavily to a number of civic projects.

One thing Dr. Jamieson had recently learned to his astonishment was that although Naief Emad is reputedly worth L.E. 30,000,000, neither he nor his wealthy brothers or other relatives hold any foreign bank balances. Most people of substance, especially those who have foreign trade connections as important as the Emads', arrange for substantial illegal holdings of dollars or Swiss francs in foreign banks. Although they are Christians of Lebanese descent, the Emads regard themselves as Egyptians and prefer to let their stake in private enterprise here rise or fall with that of other Egyptian nationals. There is no doubt, he said, that the Emads are men of integrity, and they had done much for Tanta.

HBClark/lc
March 30, 1961

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By LD NARA Date 8/4/00

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INCOMING AIRGRAM Department of State 886A.19/7-1361

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PAGE 1 OF 3 PAGES

Info NEA-17 PM/R-2 INR-8 EUR-15 IO-7 E-11 ICA-20 CIA-15 USIA-15 Army-Nol Navy-14 NSA-4

FROM: American Embassy, CAIRO

TO: Secstate, WASHINGTON

NO: A-12

Date Sent: 7/13/61
Rec'd: JUL 15 1961 1 35PM '61 JUL 17 PM NEA MESSAGE CENTER

886B.19/7-1361 CS

Decrees issued July 10 nationalized the Khedivial Mail Line (last remaining private Egyptian shipping company), and the four existing cotton pressing companies. Also, as a sequel to the July 4 decree confining commodity importation to government companies, commercial agency business was also confined to government companies. Finally, the tender system for imports by government departments and public organizations through government companies was abolished, unless more than one government company offers the required goods, in which case tenders may be invited from them.

ACTION ECON-1

INFO AMB DCM POL POLEX USIS BOOK CHRON

Khedivial Mail Line was accused of a series of actions "which conflicted with public interest and national interest," and were detrimental to its workers, e.g., opposition to reorganization of sea transport and crew wages, while all other companies showed willingness (since they were government-owned); ordering ship captains to object to the authorities' instructions; dismissal of the crew of the freighter Cleopatra after the ship's return from the voyage during which it was picketed in New York harbor; etc., etc. Khedivial will be merged with the other government-owned maritime transport companies into a single organization under the Southern Region's Ministry of Communications.

No reason given for nationalization of cotton pressing companies, which will also be combined into a single organization. The shares of the companies will be converted into (i.e., the shareholders will be paid off with) twelve-year government bonds at 5% interest (subject to 22.2% tax on interest income), face value of the bonds to be set by a liquidation committee. (Twelve-year bonds will also be issued for the shares of the Khedivial Mail Line, both value and interest rate to be fixed by a committee, interest rate not to exceed average dividend rate over past five years).

Commercial agencies now operating will be permitted a period of time not to exceed one year to liquidate their affairs. A law had just been promulgated (June 6) confining commercial representation to UAR nationals only, in accordance with the Egyptianization Law of 1957, but is now presumably superseded by the July 10 decree.

BADEAU

ECON:FKLundy:aam 7/12/61 ECON:JWFoleyJr DCM:MLAnschuetz

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INCOMING AIRGRAM *Department of State*

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PAGE 1 OF 2 PAGES

Action: NEA (17)

Info:

FROM: Amembassy, CAIRO

TO: Secstate, WASHINGTON

NO: A-15

Date Sent: July 15, 1961
Rec'd: JUL 24 AM 11 54

NEA MESSAGE CENTER

Ref: A-12, July 13, 1961

The following comments were made to Emboff by Egypt's largest private entrepreneur, Ahmed Abboud (protect source) during a conversation regarding recent nationalization moves and the government takeover of Khedivial Mail Line:

1. The present wave of nationalizations is being directed by a committee headed by Kamal el Din Hussein, Minister of Education. Participating in the committee are Minister of Economy, Dr. Abdel Moneim el Kaissouni, and Executive Minister of Economy, Hassan Abbas Zaki. While lending his name to decisions proposed by the committee, Nasser is taking a somewhat passive role, and in fact has opposed a committee suggestion that Abboud's Suez fertilizer factory be nationalized.

2. Government lacks and will be unable to muster the talent needed for the job cut out by successive nationalization decrees. Hence, business conditions and the supplies of essential commodities will take a decided turn for the worse. In effect, the regime may fall from the sheer weight of its unmet responsibilities and the discontent created thereby.

3. Charges made against Khedivial Mail Line were wholly fabricated. The real reason for taking over Khedivial was the Line's cash reserve of LE 6. million in the National Bank of Egypt. As for the charge that he mistreated labor (the one Abboud seemed to consider most serious) he had received a letter from the maritime union which expressed the union's thanks for Khedivial's having kept the crew of the Cleopatra on the payroll for six months during

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July 13, 1961

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which the vessel was idle. Since obviously he would be unable to answer the charges publicly, he has written a letter of protest to Nasser. A few weeks ago he offered to turn over the vessels of Khedivial to the government for their present value, and this offer was refused.

4. In frequent personal contacts with Abboud, Nasser has taken a view opposite to that reflected in recent decrees. While pressing Abboud to select his own areas for further industrial activity, to participate in the High Dam project, and to lend the Abboud name to various projects of the government, the President has decreed the nationalization of most Abboud enterprises. Now there appear to remain only five of his companies worth nationalizing: The Suez fertilizer factory for which additional ExImBank financing is being sought, a Kraft paper plant undertaken at the President's insistence, a construction company and an insurance firm, both of which seem to be partially under government control, and a hotel company which is currently building new hotels in Luxor and Aswan.

5. The fertilizer factory may have been nationalized in the takeover of Khedivial Mail Line. Khedivial held 263,000 share of the fertilizer company stock, whereas Abboud's personal holdings are 200,000 shares. Although some stock is on the market, the Khedivial share would be sufficient to give the government control. Forseeing Khedivial's takeover, Abboud obtained a Board of Directors' decision some time ago permitting him to buy Khedivial's share of the fertilizer factory. However, no money had been paid and the government may disallow the sale.

6. Corruption touches the regime from top to bottom. Nasser has founded his control of the military upon an elaborate structure of bribes. If an officer cannot be appeased by promotion up through military ranks, regardless of competence, he is often appointed to a managerial position in one of the government companies and collects two salaries. At the same time, the President is receiving a monthly payment from the remaining Egyptians of any financial means. For instance, Nahas Pasha [redacted] pays LE500 per month into "Nasser's personal account."

7. He wishes to continue the battle on behalf of private enterprise but sees little that can be done to divert the regime from its present course and feels the country is being done irreparable harm.

COMMENT: The above represents the personal views of Abboud. The Embassy has not determined who are the architects of present regime policy and has no independent evidence of Nasser's having taken bribes.
HARRIMAN

ECON: DMFoley ECON:RNWhitman

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By CP NARA Date 8/4/00

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Control: 4261
Rec'd: July 24, 1961
10:39 a.m.

FROM: Damascus

TO: Secretary of State

NO: 26, July 21, 2 p.m.

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ACTION DEPARTMENT 26; INFORMATION AMMAN 9, BAGHDAD 1, BEIRUT 3, CAIRO 47, JIDDA 1, LONDON 1, PARIS 1, ROME 1, ALEPPO, ALEXANDRIA, BELGRADE, MOSCOW UNNUMBERED.

ROME FOR ROOD

Of yesterday's five unnumbered Presidential Laws and two unnumbered Presidential decisions nationalizing broad sectors of UAR economy, three apply to Syrian Region as follows:
(1) Law nationalizing all banks, all insurance and three industrial companies;

(2) Law nationalizing 50% of capital of 12 industrial companies;

(3) Law limiting to 100,000 Syrian pounds individual equity ownership in 12 companies. Any current excess to be expropriated by State.

Owners of expropriated property to be compensated by 15-year 4% Government Bonds.

(RMR) Of three companies fully nationalized, two are in Aleppo area. Third is Damascus Khumasiyyah ("Big Five"), largest textile plant Syria.

Of 12 companies half nationalized 9 are in Aleppo area. Other three are a Homs flour mill, a Damascus flour mill, and a Damascus textile factory.

Twelve companies in which individual equity may not exceed 100,000 pounds include six in Aleppo area, two in Homs (sugar refinery.

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By CD NARA Date 8/4/00

refinery, dyeing plant), four in Damascus (glass factory, sugar refinery, cement factory, a textile factory).

According our information all 21 banks now operating in Syrian Region were nationalized. Of 18 lately operating in Damascus, eight are chiefly owned by UAR nationals. Following 10 are foreign: Arab Bank (Jordanian), Banque de Syrie (French), Saudi Bank, Lebanese Commercial Bank, Bank Intra (Lebanese), Banco di Roma, Rafidayn Bank (Iraqi), Ahli Bank (Lebanese), British Bank, Algerian Bank.

By decree (legal basis not given), MINECON DAYRI has appointed new Boards of Directors for all companies affected by above three laws. Most names in July 21 press.

Pattern of new boards of industrial concerns is: One member of old board, one or more officials of National Union, one middle-grade Army officer. Per immediately preceding legislation, expect two representatives of workers will also sit on each board.

Apparent from comparison between old and new boards that authorities have exploited their new appointive power to achieve three key political objectives:

(1) Anti-regime elements have been shelved. Noteworthy: Izzat Tarabulsi, former Governor of Central Bank, lately local manager of Ahli Bank, Butrus Muqannas of Banque de Syrie; Henri Ra'd of Filatures Et Tissages; Akram Rikabi of Homs Sugar Refinery; Sulayman Abu Sha'r of Syrian Glass Company; Abd Al-Hamid and Badr Al-Din Diyab of Khumasiyyah.

(2) Army has been given representation in Syrian industry, thus tightening regime's control over each company, gratifying Army officers, who will presumably get good salaries, and giving certain Army elements vested interest in present regime.

(3) Manifestly enhanced power and prestige of National Union. Sarraj's proteges in this organization, like Walid Malhas, Shukri Faysal, Lutfi Khass, and Salim Yafi, have been prominent for past two years, but only by virtue of routine protocol and political

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political activity. Now they are being given large piece of Syrian economic pie.

We are not yet in position to analyze rationale of choice of companies for nationalization, except to note most of the big ones are affected. Modern Ind. Corp., recipient of DLF loan, not affected.

News of nationalization decrees broke at Grand Hotel party in Buldan last night, was received with pall of silence. Believe Syrian business community, while uninformed on specific course authorities planned to take, have long been gloomily resigned to evolution toward socialist state, main question being rate of progress. Smell of nationalization has been in the air. Manager of new Damascus match factory visited by Longen and officers last week referred to measures being taken on behalf workers, commenting company taking every precaution to avoid provoking nationalization of his plant. As reported last February, exchange controls and related measures then imposed constituted framework for social revolution. Believe authorities already had yesterday's legislation in mind. Evidence of advance planning is present in case of Adnan Midani, who came back recently, after ten years in Sweden, to become Board member of Saudi Bank. However timing of nationalizations was well kept secret.

Purpose of recent economic legislation clearly seems to render private capital politically impotent and to curry further favor will general public by promising it larger share of economy's benefits.

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By CP NARA Date 8/4/00

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CORRECTION ISSUED: 7/27/61, 10 A.M. MLJ

Control: 14674

Rec'd: July 22, 1961 2:04 a.m.

34 Action

NEA Info

SS G SP L H E P USIA NSC INR CIA NSA AGR FRB INT TRSY RMR

FROM: Cairo - CORRECTED COPY

TO: Secretary of State

NO: 144, July 21, 2 p.m. (SECTION ONE OF TWO)

ACTION DEPARTMENT 144; INFORMATION DAMASCUS 26, ALEXANDRIA, ALEPPO, PORT SAID UNNUMBERED.

On eve celebrations ninth anniversary revolution, series of Presidential Decrees issued with avowed purpose "furtherance country's socialist policy" and "ensure social justice, and equal opportunity". Measures include:

1) Nationalization all banks and insurance companies, and companies and organizations of "a national character" (affects 149 companies both regions mainly transport, timber, cement, metal, some chemical and fertilizer).

2) Government capital participation with minimum share of 50% in 91 companies and organization of both regions (general contracting, tobacco, ginning, some textile and other manufactures, Anglo-Egyptian oil fields Philips Orient).

3) Maximum individual capital participation limited LE 10,000 in any one or all of 159 specified companies of both regions. Primary target large enterprises owned by individuals.

4) 25% of profits all companies and organizations to go to workers; 10% in direct bonuses, 15% in social services. Maximum remuneration received by company chairman or directors not to exceed LE 5,000.

5) Number of directors of corporations not to exceed seven, two of whom elected representatives of employees and workers.

/6) General

Correction sent to RMR 11/1/61

NEA MESSAGE CENTER 1961 JUL 27 PM 58

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By CP NARA Date 8/4/00

6) General income tax scale amended with sizable increase in upper brackets. 90% on income exceeding LE 10,000 per annum.

7) Capital of cotton export establishments not be be less than LE 200,000 with government owning minimum 50%.

8) Cairo and Alexandria stock exchanges closed for two months.

Shareholders foregoing nationalized and partially nationalized companies receive in return state bonds negotiable on stock exchange, redeemable 15 years and carry interest rate 4% per annum. Price each bond fixed at last closing price Cairo Stock Exchange before issuance laws or if unlisted at price fixed by 3-man committee formed by order Executive Ministry Economy.

No indication given how government plans organize and manage operations companies concerned. Far as can be determined no companies with American interests (MOBIL, ESSO, CALTEX, Nile Ginning, Pfizer) or branches of four firms involved.

Embassy preliminary comments: (1) Measures taken in combination practically complete nationalization of large-scale non-agricultural sector of Egyptian economy and initiate government seizure of traditionally independent industrial sector Syrian region. (2) Not only is large-scale private enterprise nationalized, but remaining private sector no longer base for comeback due to tax and salary decrees. (3) Basic factors involved in decision political-social. No serious basic economic justification and net effects in immediate future will decrease efficiency operation general economy and retarding of development program. (4) Among possible political-social beauracratic motives involved, following probably played important role:

A) Doctrinaire socialism. Certain elements in regime have urged broad socialist nuances from time of revolution.

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Control: 14736
Rec'd: July 22, 1961
5:16 a.m.

FROM: Cairo

TO: ~~Secretary~~ of State

NO: 144, July 21, 2 p.m. (SECTION TWO OF TWO)

NEA MESSAGE CENTER 1961 JUL 24 A 6 44

ACTION DEPARTMENT 144; INFORMATION DAMASCUS 26, ALEXANDRIA ALEPPO PORT SAID UNNUMBERED

(B) Desire eliminate all sources of political opposition to regime. While entrepreneur class with its power, freedom of action (already greatly restricted by Government) would not seem to have posed serious threat to regime at least in Egyptian Region, regime sensitive to any nuclei of potential opposition.

(C) Jealousy of new middle class rising to positions of power toward superior social and economic level entrepreneurs in free sector of economy.

(D) Desire for tidying up bureaucratic control over disposition economic resources of entire economy. This is main point in Ali Sabris apologia for new decrees.

(5) What is much less clear is why these factors which have been present for years should win out now, and why official position of even a year ago that private sector properly controlled made contribution is now forgotten. One factor may be desire provide dramatic evidence of forward march of revolution before July 23 celebration.

(6) Reaction in Syria may be serious. From standpoint Egyptian Region, while moves will obviously increase opposition to regime among small, formerly influential business and propertied class, Government presumably feels this heavily offset by its own increased powers and by increased mass support it hopes gain as result of presenting these measures as social reforms and other measures designed not to hit lower middle class where regimes greatest support lies.

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(7) Despite far-reaching nature of measures, they do not completely eliminate private sector, nor is concept of private property in rural sector attacked. Thus, despite influence of Yugoslav model, reforms do not fall into classic pattern of communism but rather into UAR's own authoritarian conception of socialism.

(8) Hollowness of regime's claim to also being democratic demonstrated by fact none of these measures referred either to national union or national assembly.

(9) This week has in some respects seen most sweeping social and economic changes in Egypt since revolution. There are probably more to follow. Not yet possible appraise final outcome. Regime may find adverse reaction of bourgeoise even though expressed by slow-down rather than agitation, out balances kudos from poorer classes.

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Control: 14674
Rec'd: July 22, 1961
2:04 a.m.

FROM: Cairo

TO: Secretary of State

NO: 144, July 21, 2 P.M. (SECTION ONE OF TWO)

1961 JUL 24 AM 6944 MESSAGE CENTER NEA

ACTION DEPARTMENT 144; INFORMATION DAMASCUS 26 ALEXANDRIA ALEPPO PORT SAID UNNUMBERED.

On eve celebrations ninth anniversary revolution, series of Presidential Decrees issued with avowed purpose "furtherance country's socialist policy" and "ensure social justice, and equal opportunity". Measures include:

1) Nationalization all banks and insurance companies, and companies and organizations of "a national character" (affects 149 companies both regions mainly transport, timber, cement, metal, some chemical and fertilizer).

2) Government capital participation with minimum share of 50% in in 91 companies and organization of both regions (general contivoaxup,* tobacco, ginning, some textile and other manufactures, Anglo-Egyptian oil fields Philips client.

3) Maximum inidvidual capital participation limited le 10,000 in any one or all of 15 specified companies of both regions. Primary target large enterprises owned by individuals.

4) 25% of profits all companies and organizations to go to workers: 10% in direct bonuses, 15% social services. Maximum remuneration received by company chairman or directors not to exceed le 5000.

5) Number of directors of corporations not to exceed seven two of whom elected representatives of employees and workers.

6) General

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By CD NARA Date 8/4/00

6) General income tax scale amended with sizable increase in upper brackets. 90% on income exceeding le 10,000 per annum.

7) Capital of cotton export establishments not to be less than le 200,000 with government owning minimum 50%.

8) Cairo and Alex Stock exchanges closed for two months.

Shareholders foregoing nationalized and partially nationalized companies receive in return state bonds negotiable on stock exchange, redeemable 15 years and carry interest rate 4% per annum. Price each bond fixed at last closing price Cairo Stock Exchange before issuance laws or if unlisted at price fixed by 3-man committee formed by order Executive Ministry Economy.

No indication given how governemnt plans organize and manage operations companies concerned. Far as can be determined no companies with American interests (Mobil, Esso, CALTEX, Nile Ginning, Pfizer) or branches of four firms involved.

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A) Doctrinaire socialism. Certain elements in regime have urged broad socialist nuances from time of revolution.

BADEAU

MJA-14

*As received. Correction to follow.

(#) Omission. Correction to follow.

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Control: 16593
Rec'd: July 25, 1961
1:45 p.m.

1961 JUL 26 PM 15 NEA MESSAGE CENTER

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FROM: Aleppo

TO: Secretary of State

NO: 14, July 24, 3 p.m.

ACTION DEPARTMENT 14, INFORMATION DAMASCUS 14, CAIRO 4.

Financial and commercial centers still suffering profoundly from shock and resentment at nationalization of banks, semi-nationalization of industry, at limitation of holdings and other July 20 decrees. Aleppo figures pramerent* by 8 of 12 semi-nationalized industries and 7 of 11 companies in which holdings are to be limited. Particularly hard hit is Edmond Homsi, ex-Minister and President Chamber Commerce, who has lost his private bank and heavy participation in 4 principal companies.

Much of shock is at manner and suddenness of action, including ousting of managers and directors and replacement by local persons, principally from National Union and noted neither for business experience nor competence, and by Army officers ranging from Lieutenants to Colonels. In some cases former owners and managers prevented by security guards, placed on each establishment affected, from entering former offices. Also resented is fact that regime has hitherto encouraged industry, including expansion which led 2 local firms to spend total 2 million pounds in 1960.

Working classes are enthusiastic at earlier decree allotting them 25 percent profits of which they will realize only [illegible] percent, believed pleased at new measures. Students also said to welcome decrees.

Other groups, presently untouched, are fearful that decrees foreshadow measures affecting Northern region cotton exporters /other

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By CD NARA Date 8/4/00

other industries and owners buildings. Still others are fearful that further industrialization has been discouraged and that decrees will worsen current economic conditions. Press conference here yesterday by Ministers Awtallah and Sufi (reported by pouch) has done nothing to mollify or reassure interested persons and groups.

Comment: Notwithstanding anger and strong words against government, CONGEN regards commercial and financial groups as demoralized and incapable of challenging effectively either decrees or regime.

KNIGHT

DMJ/14

*As received. Will be serviced upon request.

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AIR POUCH — CONFIDENTIAL

HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

~~A-13~~ 16 NO.

For Department Use Only
886b.19/7-2561
AMERICAN CONSULATE GENERAL
XR 886b.053
AUG 1 - 1961

FROM : AmConGen ALEXANDRIA

TO : THE DEPARTMENT OF STATE, WASHINGTON. July 25, 1961 DATE

REF : 886b.19/7-2561 886b.06/12-1660 ConGen A-10, July 25, 1961; D-146, Dec. 16, 1960.

Repeat to posts (6)

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	NEA-4			2	1			5				7	7		4	11
			OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB	FTC 2				
	REC'D 8/4			AIR	ARMY 3	CIA 12	NAVY 3	OSD 5	OCB	USIA 10	NSA 4					

SUBJECT: Effects of Recent Nationalization Decrees-Views of Greek Consul General

The economic plight and morale of the local Greek community is so deplorable following the recent wave of socialist decrees that the Greek Consul General says he finds it difficult to be objective in submitting reports and recommendations to his superiors.

This able officer, Mr. B. Th. Theodoropoulos, struck me as succeeding admirably in his effort to be objective and realistic in this respect when he called to discuss the new decrees today. As the enclosed memorandum of conversation shows, the Greek Consulate General estimates the value of local Greek properties involved at L.E. 60,000,000. The number of Greek subjects in the Alexandria district is now around 35,000. In addition to the considerable number of Greeks leaving with re-entry visas who do not return, a thousand left Alexandria definitively during the first six months of 1961 and the pace of their emigration is now quickening.

Consul General Theodoropoulos says he has recommended that the Greek Government concentrate on two things in dealing with these vexatious problems: (1) to seek UAR assurances that the many Greek employees ousted from their jobs by current decrees be given other employment; and (2) to insure that the UAR Government pays adequate compensation for nationalized Greek properties and provides facilities for the transfer abroad of these sums.

Other aspects of this exchange of views with Mr. Theodoropoulos may be of interest, such as the emphasis he places on the forthcoming "Summit Conference" of non-aligned states in Belgrade as the main reason for the sweeping nature of President Nasser's new decrees.

886B.19/7-2561

RECEIVED DEPARTMENT OF STATE 1962 JAN 11 2 BUREAU OF CONSULAR AFFAIRS

Harlan B. Clark
Harlan B. Clark
American Consul General

cc-AmEmbassy CAIRO
Dept pass: ATHENS, ROME, BELGRADE
MOSCOW, DAMASCUS, PORT SAID

HBClark/ss
REPORTER

CONFIDENTIAL

CLASSIFIED FILE

FORM 6-61 FS-439 GPO 912596

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NAME OF OFFICER & OFFICE SYMBOL	Higginson NEA	DATE OF ACTION	8/4/61
DIRECTIONS TO RM/R	File		

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By CN NARA Date 8/4/00

FORM FS-439a
6-1-60

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Page 1 of
Encl. No. 1
Desp. No. 16
From Alexandria

MEMO OF CONVERSATION

PARTICIPANTS: B. Th. Theodoropoulos, Consul General of Greece
H. B. Clark, American Consul General

PLACE: American Consulate General

TIME: 10:00 a.m., July 25, 1961

SUBJ: Effects of recent nationalization decrees

Mr. Theodoropoulos called on me to discuss the effects of the recent UAR decrees nationalizing banks, companies and other establishments, and related "socialist" legislation. Mr. Theodoropoulos felt that Greeks are being the hardest hit among the foreign communities and estimated that a total of LE 60,000,000 (official I.M.F. rate LE 1 = $2.87) in assets of local Greeks are involved. The economic consequences are staggering, and the Greek community considers that it is in a dire plight from which its members can extricate themselves only through eventual immigration. He mentioned that the Coutarelli Cigarette plant alone is capitalized at about 6,000,000 pounds and while its manager, Angelo Coutarelli, has for some time been saying that he considers this investment as lost, when the blow fell it appears to have unnerved him completely. Judging from the experience with government bonds promised in return for land holdings confiscated in the land reform program, few people think that the government intends to make good on its promise of compensating owners of the nationalized businesses.

Mr. Theodoropoulos said that he had been in Turkey in 1955 when the anti-Greek riots occured and losses totaling 60,000,000 Turkish pounds had been suffered by the Greek community there. The value of Greek properties here which are affected by the decree are perhaps 25 times as much as were involved in the losses in Turkey. Mr. Theodoropoulos said he was trying to be completely objective in his handling of the situation and in his reports to the Embassy and his government about the plight of the Greek community, the situation was so deplorable that it took a great effort to assess current developments objectively. In his official report, he said, he had recommended that the Greek government concentrate on two things:

1. Seeking UAR assurances that Greeks deprived of their jobs by the new decrees be given other employment. He said that this was in his opinion only a delaying tactic since within 2 or 3 years nearly all Greeks might be forced to leave, but he hoped to postpone their departure as long as possible so that there would not be a flood of refugees seeking repatriation to Greece or emigration to other countries.

2. To insure that the UAR government pays fair compensation for the nationalized properties and provides for the transfer abroad of the proceeds, either in foreign currency or in the form of commodities.

Mr. Theodoropoulos said he would like to have my views as to the local reaction to the new socialist measures and the reasons they were taken at this time, and we had a rather full exchange of views on this subject. I said that I did not yet have the Embassy's analysis, and could therefore give only my own personal conclusions

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but that I thought the picture was somewhat as follows:

As to the reasons for the extent and gravity of the new measures, I felt there were both internal and external factors and I did not know which were most important. First, as to internal factors, each year the Anniversary of the Revolution seems to require the issuance of new policies and programs by the Regime to show that its efforts to achieve its "democratic - socialist - cooperative" goals have not lost their momentum. This year it had ample cause to want to make a dramatic gesture, one of which was the relative failure of some of its programs such as in the export of cotton and other commodities. There was common talk of corruption and inefficiency in both governmental offices and government-controlled businesses. Unemployment was a continuing and increasing problem. Cash, particularly in the form of foreign exchange was in very short supply. How could this all be explained away in view of the claims to the success of great new economic ventures and social welfare programs and how could additional hope be held out to people in need? I feared that in a centralized dictatorial regime such as this, once government interference became the dominant factor in business and trade, any failure or proof of inefficiency tended to be followed by more vigorous and intensive interference. It seemed to be a vicious circle which had already stifled private enterprise as we know it in the West. The measures taken some weeks ago to control the cotton trade had been implemented with scarcely a ripple of opposition. This success and particularly the relatively favorable reaction both at home and abroad to the Government's argument that the controls were necessary to free itself from Eastern Bloc domination of its cotton trade had probably encouraged it to take additional strong measures.

Another domestic consideration I could not fully evaluate was the attitude of the military. We had heard stories about criticism among army officers of high incomes being received by Government-appointed officials and administrators who held more than one job, and the President had decided to take drastic action to eliminate this practice. I recounted the essential details of one of these stories without mentioning names (See Congen D-15, July 25, 1961) and asked if he had heard this one. He said that he had, with the addition that the President would bring some of these administrators to trial.

Turning to external factors I said that with the Summit Conference of "non-aligned" nations coming up on September 1, in Belgrade, President Nasser might want to make a series of dramatic gestures both at home and abroad calculated to enhance his prestige at the conference table. Mr. Theodoropoulos said he fully agreed with this and had already told his Embassy and the Foreign Office that in his opinion this was the principal reason for the sweeping nature of the "socialist" measures the President had just taken. He recalled that Krushchev's remarks to Anwar Sadat in Moscow last April to the effect that the U.A.R. regime was not socialist at all may have hurt the President's pride and led him to fear that his influence among the more left-wing leaders at the Summit Conference might be weakened. This was especially likely since Mr. Theodoropoulos understood that Khrushchev had recently "given his blessing" to Tito in his Summit Conference role. I expressed doubt as to whether President Nasser would in fact be able to enhance his prestige abroad simply by aping the socialist countries. In the long run, at least, he would have to make good on existing programs and soon there would be no more melons to cut in private enterprise.

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By CP NARA Date 8/4/00

In discussing local reactions to the President's socialist decrees Mr. Theodoropoulos agreed that, while it was difficult to gauge the true feelings of the workers and fellaheen, it seemed that by and large they favored all measures that soaked the rich and hurt the foreigner. It had been encouraging to him in this respect that in recent days many workers in Greek enterprises which had been nationalized had come to their ex-bosses and expressed regret that they were no longer in charge. He also agreed that entrepreneurs and property owners in general were outraged by the new measures. He drew one conclusion I found interesting, that most regime supporters who were adversely affected by the decrees probably felt they could manage to survive very nicely under the patronage of some powerful government official. I said this might be true in many cases, but I wondered if the regime could afford not to make good on its promise to crack down on corruption. If it failed to do so, the stories we had heard would continue to circulate and could not fail to be damaging. If it did crack down on a number of its supporters, who would feel secure? It was difficult to say at what stage the regime might go too far in its policy of squeezing the "haves" among the new elite.

I asked Mr. Theodoropoulos what he thought the reaction to the new developments would be in his own and other Nato capitals. He said he felt there was little that could be done to oppose the present trend effectively and it was unlikely that any Nato power would in these days of crisis over Berlin want to "reopen the old wounds" which had resulted from previous attempts to exert economic and other pressure against the Nasser regime. After all, he said, the West was helping such countries as Yugoslavia and Poland. Why should it not do likewise here? He thought that there would be increasing economic difficulty in the U.A.R. and he was convinced that under direct government control many of the nationalized enterprises would flounder. At the same time, he wondered whether the Egyptians could themselves compete effectively in a free enterprise system, if one were provided them, once the Greeks and other foreigners had left. I said that to the degree they had to rely on their own resources, I felt the Egyptians could do better under a predominantly private enterprise system than in an unwieldy state-directed system. Insofar as they had to bring in high cost foreign technicians to assist them, moreover, the economic cost of their output would surely rise and this cost must eventually be reflected in their standard of living.

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Authority NND 949570
By CP NARA Date 8/4/00

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RG: 059 TAB #: 2

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BOX: 2818

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The item identified below has been withdrawn from this file:

Folder Title: 886B.19/7-2561

Document Date: 25/07/61

Document Ser#:

Despatch No: 15 From: ALEXANDRIA To: STATE

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NND: 949572 WITHDRAWN: 06/01/95 by: HUGH

FOIA RETRIEVAL #: 949572 02818 00002

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Authority NND 949570
By CD NARA Date 8/4/00

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886b.19/7-2561

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CONFIDENTIAL

Control: 12094
Rec'd: July 19, 1961
2:21 p.m.

AF

FROM: Dakar

TO: Secretary of State

NO: 33, July 19, 3 p.m.

1961 JUL 20 AM 7 19 AF MESSAGE CENTER

JOINT STATE-ICA MESSAGE

Department's G-34, March 29

Re FY 62 aid program for Mauritania, exploratory discussions between Vaughn and Ministry Plans have gone forward since receipt reference airgram to point where specific instructions from Department become increasingly necessary.

When Graham and Vaughn visited Nouakchott July 11, in connection independence gift of mobile health units, Prime Minister Moktar Ould Daddah referred to recently concluded US bilateral agreement with Senegal and asked when similar agreement might be concluded with Mauritania. Said he expected France continue provide bulk of economic aid and technical assistance but that France, as former colonial power, was suspect in eyes many Mauritanians, and that his government would look first to US for additional aid. At Prime Minister's urgent request draft of bilateral agreement was given Ministry Plans.

In circumstances, Embassy would appreciate receiving soonest instructions which will permit prompt conclusion bilateral aid agreement with Mauritania.

KAISER

LRR

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Control: 16793
Rec'd: July 25, 1961
6:23 p.m.

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FROM: Cairo

TO: Secretary of State

NO: 168, July 25, Noon

PRIORITY

Re Department telegram 105.

In view shock of recent UAR decrees (Embassy telegram 144) nationalizing UAR industry, I am somewhat concerned at impression which an announcement at this moment of large PL 480 sale would make on Egyptian and Syrian middle class which has been deeply affected.

For this reason, I strongly recommend no definitive commitments be made July 26 to Ambassador Kamel or UAR Embassy which might provide basis for premature, unilateral UAR statement until economic counselor Whitman and I have had opportunity review situation with interested parties at Nicosia.

BADEAU

LSA:JVC/14

NEA MESSAGE CENTER 1961 JUL 26 AM 6 51

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By CP NARA Date 8/4/00

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INCOMING AIRGRAM **Department of State**

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Action
NEA-17
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EUR-15
CIA-10
AGR-20
COM-6
TR-5
FRB-2
TAR-2

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PAGE 1 OF 2 PAGES

Date Sent: July 25, 1961
Rec'd:

FROM: AmConGen ALEXANDRIA

TO: DEPT

NO: A-9

INFO: CAIRO A-8 DAMASCUS A-3

REF: ConGen D-317, June 22, 1961; ConGen D-14, July 25, 1961

Note: Subsequent indications (including [illegible] from alexandria that [illegible] contract with [illegible] and [illegible]

1961 AUG 9 AM 11:09

JUL 28 4 45 PM '61

The possibility that the new decree laws nationalizing Egyptian Business firms may result in the abrogation of the agreement entered into between Anderson, Clayton and Company (ACCO), Houston, Texas, and the National Bank of Egypt (NBE) was reported to me today by Semir el Khadem, Manager of the Nile Ginning Company, S.A.E. (NGC). He based this speculation ~~xxxx~~ on the terms of decree dated July 20 (amending Law No. 71 of June 21, 1961) which provided in general that 50% of the capital of cotton exporting firms should be held by the government and that payment for the government's share should be in the form of 15 year bonds paying 4% interest. He said that in a discussion today with Ahmad Hekmat, Director General of the Egyptian Cotton Commission, the latter implied that the National Bank's purchase of 75% of the shares in the NGC for cash at the official rate of exchange (see reference despatch) might be retroactively cancelled. Mr. el Khadem said that if this interpretation proved to be accurate, Dr. Mohamed Mahmoud Abu Shady, President of the NBE, who negotiated the agreement, might be in serious difficulty, especially since he has already transferred to ACCO the dollar equivalent of LE 300,000. Mr. el Khadem hoped within the near future to have a legal ruling on the effect of the law on the NBE-ACCO contract, and meanwhile he was trying to assess whether it would possibly be to the advantage of ACCO to accept the new arrangement. The possibility could not be excluded that the 50-50 arrangement would be advantageous to ACCO since as a government firm the NGC would presumably be expanding its export operations greatly and the amount of profits to be distributed as dividends might increase proportionately.

* In absence approach from ACCO to Dept, do not believe anything useful would be accomplished by asking them come in. Co has company reps and have all relevant info on laws etc, on which to base its judgements. A

Mr. el Khadem did not conceal his confusion and apprehension over the total effect of the new wave of nationalizations. He said he would like to get word to ACCO about the possible adverse effects of this legislation but knew that he was being closely watched and had thus far only sent clippings to the Houston office underlining in red the provisions which seemed most worrisome. At the same time he does not wish to alarm his principals, since it will be some time before a proper assessment of the situation can be made.

COMMENT: It was clear that Mr. el Khadem fully shared the feeling of gloom and doubt concerning the future which we have heard on all sides in the business community over the past weekend. The Department may wish to

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discuss the matter with representatives of ACCO emphasizing that the situation is still unclear, particularly as to how the retroactive clause in Law No. 71, as amended, will be applied. (The amendment goes into effect retroactively as of the same date as Law 71, but elsewhere it stipulates "no other agreement or arrangement shall be valid." Text of amendment is being transmitted by Congen D-14, July 25, 1961). We consider it doubtful that the Houston firm would be well satisfied with any deal which would not lead to payment of the value of its shares in dollars as previously agreed, particularly since these values are to be assessed by a government committee. At the same time, in view of the great hopes the UAR government appears to have for selling more cotton to the U.S. and other Western countries it may move cautiously in dealing with this important American interest.

(CLARK)

HBClark/ss
7-24-61

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By LD NARA Date 8/4/00

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Action: NEA-17

Info: RMR-2, INR-8, E-11, ICA-20, IO-7, COM-6, TAR-2, TRSY-5, FRB-2, YMB-8, OSD-20, ARMY-14

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PAGE 1 OF ___ PAGES

Date Sent: July 25, 1961

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NEA IMAGE CENTER
JUL 28 1961 45 PM '61

FROM: AmConGen ALEXANDRIA

TO: DEPT

NO: A-10

INFO: CAIRO A-9 DAMASCUS A-4

REF: ConGen D-5, July 11, 1961

CIA-15 P-5

USIA-15

NSA-4

NAVY-4

AIR 2

The new Presidential Decrees nationalizing banks and insurance companies, industrial concerns and trading companies has thrown the Alexandria business community into confusion and despair. The following round-up of initial local comment and opinion may be of interest to the Embassy and the Department.

While additional restrictive legislation was expected on this 9th Anniversary of the 1952 Revolution, the extent and nature of the blow to private enterprise and property was more severe than expected. Almost without exception, the Moslem and Christian businessmen and even "white collar" employees with whom we have talked feel that their future and that of their children has been prejudiced to an intolerable degree, and a number of them (mainly Christians) are hoping for nothing better than an opportunity to leave Egypt and start anew elsewhere.

The reaction of the "rank and file" of workers and farmers to the new decrees appears on the whole to be favorable, although a scattering of comments we have heard show that even in this group there are some who are skeptical of the benefits the new "socialist" order will bring them. (Sample comment from a household servant: "all I know is that I can buy much less for my family with my salary today than I could a few years ago.") We are told that the stampede of applause which interrupted President Nasser's Cairo speech of July 22 for seven minutes when he spoke of the nationalizations was created by the scores of busloads of fellaheen and workers brought in from the provinces and they are thoroughly coached. One wealthy director of a company whose local factory had been taken over said his firm had sent three such busloads to the Cairo rally. Today he is without a job and cannot at the moment draw on any of his assets. Even those "dispossessed" entrepreneurs who credit President Nasser with a sincere desire to raise the standard of living of the lower classes predict that the new system cannot work efficiently and most feel that popular discontent will grow in the year ahead. They point out, for example, that their firms pay from three to four month's bonus each year to their workers, far more than the 10 per cent cash plus 15 per cent "welfare fund" contribution the Government proposes to allocate to them out of profits. And what happens,

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By CD NARA Date 8/4/00

They ask, if there are no profits? The foreign and other experts who leave the country, they believe will have to be replaced in part by high-cost foreign contract technicians.

A common theme we hear is that the government has taken the economy along the road to a Titoist-like "socialism" beyond the point of no return. We hear more of an alleged "brain trust" of left-wing intellectuals and university professors working for the Presidency. One source (ex-Senator Galal Hussein) told me he came to know one of these university "planners" who alleged he was attached to the Presidency. Aly Sabry is most commonly described here as the liaison between the Presidency and the "brain trust".

No one appears to think that there will be any organized resistance to the new order so long as the armed forces remain loyal and many are convinced that one object the President has in squeezing down middle class incomes is to provide additional jobs and benefits for officers and other supporters. Many stories along this line are circulating and, even if untrue, they are not calculated to enhance the popularity of the military. In fact, as some observers point out, the drastic new "socialist" measures are also squeezing the "new elite" which include ex-officers and other current supporters of the Regime.

In sum, those local individuals most severely hurt by the new decrees are angry, disillusioned and frustrated. They do not expect a change and think the country is headed for an economic crisis. They also feel that they will get no help from the outside but, interestingly enough to us, a few of them including a prominent local newspaperman were eagerly waiting to see what the reaction to this new blow to free enterprise would be in the outside world, particularly in the American press.

CLARK
(APX)

HBClark:ss
7-24-61

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Authority NND 949570
By CP NARA Date 8/4/00

OUTGOING TELEGRAM Department of State

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1961 JUL 26 PM 8 1

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Origin

Info:

~~SENT TO~~: Amembassy CAIRO PRIORITY 140
ACTION:

Embtel 168

While recognizing concern with which propertied elements in UAR no doubt regard recent UAR nationalization decrees, Dept did not rpt not feel would be appropriate delay for tactical considerations informing UAR officials in general terms re our proposed wheat and flour sales Egyptian region under current fiscal year Food for Peace program. Accordingly, Talbot informed UAR Ambassador Kamel July 26 as planned re USG willingness make available 900,000 tons wheat and flour in response UAR request conveyed to Talbot by Kamel last May. Talbot said negotiating instructions were being sent Embassy Cairo and stressed Cairo would be site for negotiation detailed arrangements, including normal marketing provision. In response Kamel's question, Talbot said, without revealing figure, that normal marketing requirement had been fixed but manner filling requirement would be subject Cairo negotiations.

View concern expressed reftel re early announcement, Talbot made special point noting to Kamel that we expected make no rpt no announcement foregoing until agreement concluded when usual routine press release would no doubt be issued by Dept Agriculture. Kamel indicated would

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Drafted by: NEA:NE:WDBrewer:fn:7/26/61

Telegraphic transmission and classification approved by: NEA - Phillips Talbot

Clearances:
NE/E - Mr. Duncan (draft)
CSD - Mr. Kaufman (subs)
NE - Mr. Thacher (draft)

S/S-CR
JUL 26 1961 PM

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FORM 2-59 DS-322

1252-7/19/78

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report this point.

Re UAR multi-year request, Talbot stated limited existing US agreements this nature closely related long-term planning recipient countries, including detailed study pressures on balances of payments and internal economies. We understood IMF mission would shortly be visiting Cairo for examination such general economic questions. Talbot felt we would no doubt be in better position give detailed consideration multi-year proposal following return this mission.

Embassy authorized take similar line with senior UAR officials, noting desirability avoiding publicity until agreement concluded. Authority commence negots and supplemental negotiating instructions (W-10, July 20) subject separate message.

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CORRECTION ISSUED
7/31/61, 9:15 a.m

Control: 17996
Rec'd: July 27, 1961
2:23 a.m.

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FROM: Cairo CORRECTED COPY

TO: Secretary of State

NO: 181, July 26, 4 p.m. (SECTION ONE OF TWO)

NEA MESSAGE CENTER 1961 JUL 31 AM 10 5

ACTION DEPARTMENT 181, INFORMATION DAMASCUS 30, ALEPPO, ALEXANDRIA UNNUMBERED.

Reference: EMBTEL 144

Spate of sweeping economic and social measures marking ninth anniversary revolution continue with issuance more presidential decrees July 25 directed this occasion primarily agricultural sector and income derived from residential building rents. Measures include:

1. Limitation land ownership in southern region under Agrarian reform law to 100 feddans per individual instead 200 feddans previously permitted. Land in excess to be disposed of by owners to small farmers within one year or seized by government for distribution. Owners of seized land will receive compensation paid in negotiable state bonds redeemable 15 years carrying for percent interest.

2. Restriction to 50 feddans maximum amount new land any individual may acquire or lease in addition to land already owned.

3. 50 percent reduction in installments and interest due from farmers who benefited by Agrarian reform law in both regions.

4. Introduction progressive tax on income from residential building rents ranging from 10 percent of annual rent for building with average month rental per room LE 3 to 40 percent where average

886B.19/7-2661

NOV 20 1961

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Correction made by RM/R 11-29-61

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By CP NARA Date 8/4/00

where average month rental more than LE 10 per room.

5. Introduction progressive tax on general income in northern region.

6. Abolishment defense tax imposed in southern region on general income in addition progressive income tax.

New measures swift indication Nasser's reference in July 22 speech that "other steps planned this year" not idle promise and certainly will do nothing mollify shock and fears now sweeping few remaining groups with private property interests thus far not touched. Regimes apologia claim newest moves stem from desire cover all sectors and emphasize one again basic aim regime in present course is social justice and eliminate barriers oppression and class distinction. Tax on apartment houses explained as necessity in establishing new social relations, especially after transfer large portion savings to this sector by those who preferred not invest their money in industrial field but to block it in houses with high rental charges. At same time, stress given fact private ownership this type property permitted continue, thus creating balance between right "individual in ownership: and right of society have savings directed into field of developement.

Totality of decrees issued past few days indicates intentions of regime not only to insure government control and direction of all economic activity but also to confine membership elite group almost solely to employment in government, army and government owned enterprises. Only important elite elements left relatively unaffected as yet are certain professional classes, <u>principally lawyers and doctors.</u> Result is monolithic social structure contrary to US ideal of open society. Principle brake toward creation complete socialist pattern economic organization is present desire retain principle private ownership.

BADEAU

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Info SS G SP L H SB EUR E BCEA BFAC BIGC ICA P USIA NSC INR CIA NSA AGR COM FRB INT TRSY RMR

Control: 13255
Rec'd: July 27, 1961 11:58 AM

NEA MESSAGE CENTER JUL 28 AM 5 48

FROM: Cairo

TO: Secretary of State

NO: 181, July 26, 2 PM (SECTION TWO OF TWO)

ACTION DEPARTMENT 181, INFORMATION DAMASCUS 30, ALEPPO, ALEXANDRIA UNNUMBERED

despite Marxist aspects however believe "reforms" represent indigenous concept of authoritarian-socialism conceived as necessary cope with indigenous social, economic and political problems rather than as fitting UAR into ideological system world communism. Thus, though gap narrowed, meaningful distinction between UAR and Soviet systems still exists. This distinction in domestic policy combined with increased UAR independence of Soviet Bloc in external affairs suggests that UAR remain a center of power in Middle East essentially independent of and even competitive with Soviet Bloc. To this extent its continued existence in United States interest and embassy recommends US officials withhold any comment on decrees at present time.

FW 886.10/7-2661

Immediate economic impact adverse and quite probably severely so. Production newly nationalized plants will drop either because new management less efficient or retained management has less incentive. Slack caused by stoppage investment in remains private sector cannot be made up by increased government involvement in short terms. Transfer new purchasing power labor and farmers has inflationary potential. This may be offset in part by use income ex-private business sector to finance government investment and by drop in spending by middle classes. Long-run effect more difficult to predict, but not effect probably adverse for at least five years.

In meantime, Cairo confused and largely unhappy place but with no prospects counter revolutionary activity.

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reaction extends from frantic desire have Egypt, even among those not yet affected by decrees to sly sense satisfaction at comeuppance of rich among lower middle classes. What little unbiased opinion can be found generally pessimistic. Yet Egyptian good nature and sense of humor may continue make life in Cairo tolerable.

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5 Action
NEA Info
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Control: 17996
Rec'd: July 27, 1961 2:23 AM

NEA MESSAGE CENTER

FROM: Cairo

TO: Secretary of State

NO: 131, July 26, 4 PM (SECTION ONE OF TWO)

ACTION DEPARTMENT 131, INFORMATION DAMASCUS 30, ALEPPO, ALEXANDRIA UNNUMBERED

Reference: EMBTEL 144

Spate of sweeping economic and social measures marking ninth anniversary revolution continue with issuance more presidential decrees July 25 directed this occasion primarily agricultural sector and income derived from residential building rents. Measures include:

1. Limitation land ownership in southern region under Agrarian reform law to 100 feddans per individual instead 200 feddans previously permitted. Land in excess to be disposed of by owners to small farmers within one year or seized by government for distribution. Owners of seized land will receive compensation paid in negotiable state bonds redeemable 15 years carrying for percent interest.

2. Restriction to 50 feddans maximum amount new land any individual may acquire or lease in addition to land already owned.

3. 50 percent reduction in installments and interest due from farmers who benefited by Agrarian reform law in both regions.

4. Introduction progressive tax on income from residential building rents ranging from 10 percent of annual rent for building with (#) per room LE 3 to 40 percent where average month rental more than LE 10 per room.

5. Introduction progressive tax on general income in northern region.

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6. Abolishment defense tax imposed in southern region on general income in addition progressive income tax.

New measures swift indication Nasser's reference in July 22 speech that "other steps planned this year" not idle promise and certainly will do nothing mollify shock and fears now sweeping few remaining groups with private property interests thus far not touched. Regimes apologia claim newest moves stem from desire cover all sectors and emphasize one again basic aim regime in present course is social justice and eliminate barriers oppression and class distinction. Tax on apartment houses explained as necessity in establishing new social relations, especially after transfer large portion savings to this sector by those who preferred not invest their money in industrial field but to block it in houses with high rental charges. At same time, stress given fact private ownership this type property permitted continue, thus creating balance between right "individual in ownership" and right of society have savings directed into field of development.

Totality of decrees issued past few days indicates intentions of regime not only to insure government control and direction of all economic activity but also to confine membership elite group almost solely to employment in government, army and government owned enterprises. Only important elite elements left relatively unaffected as yet are certain professional classes, (#). Result is monolithic social structure contrary to US ideal of open society. Principle brake toward creation complete socialist pattern economic organization is present desire retain principle private ownership

(#) Omission. Correction to follow.

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XR 986.73

FOREIGN SERVICE DESPATCH

FROM : American Embassy, CAIRO

53
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 27, 1961
DATE

REF : CERP D-16-e, Embassy A-15, July 15, 1961.

JUL 27 1961

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	NEA-4	RM/R-2 Rf-1 INR-9 E-7 ICA-11 IM-2
	REC'D	INFO OTHER
	8-1-61	Com-10 NAVY-4 ARMY-3 TR-3 OSD-5

SUBJECT: MERCHANT SHIPPING - KHEDIVIAL MAIL LINE NATIONALIZED

In a move further consolidating government control over merchant shipping Khedivial Mail Line was nationalized by Presidential Decree of July 10. Following a pattern of justification used in the nationalization of other transport firms, the Egyptian press reported the company had disregarded government regulations, embarrassed the UAR abroad, refused to cooperate with the government, and committed certain acts of fraud. The number and extremity of such charges generated a great deal of comment among private businessmen and government officials who seemed to regard the charges as unnecessary and untrue. The charges appeared even less valid in light of a report from Ahmed Abboud, Khedivial's owner, that he had offered to turn the line over to the government several weeks earlier. At the same time, there is evidence that Khedivial was slow to pay bunkering bills in foreign ports, and that the company did pursue an independent course which might have made difficult the implementation of foreign agreements and government maritime policies.

Khedivial Mail Line was the only significant maritime shipping firm not already under government control. The Societe Generale de Navigation Maritime (ARONAV), formed as a company of the Economic Development Organization in 1957, amalgamated with the former Alexandria Navigation Company and the Societe Misr de Navigation Maritime in 1959. Khedivial is to be merged with that group. When nationalized, Khedivial owned eight vessels aggregating some 30,000 tons and valued at approximately LE 1.million. The line was owned primarily by Ahmed Abboud, Egypt's most important private entrepreneur.

Press charges against Khedivial were more harsh than any previously made publicly against a company under nationalization. A bill of twelve complaints (see enclosure) includes seven items relating to a lack of cooperation with the government, two concerning the mistreatment of labor, two redundantly accusing the company of embarrassing the UAR abroad, and one suggesting an unauthorized as well as fraudulent sale of two company ships. All the charges were directed against the company or "management,"

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and in no known instance was the name of the owner, Ahmed Abboud, mentioned, possibly because he is said to be a friend of President Nasser.

Many of the charges against Khedivial reflect no more than the company's efforts to continue operating as an independent entity. During 1960 Khedivial did take certain ships out of service because their age and condition made further operations thereof unprofitable. For the same reason the vessels, Mecca and Al Wadi, were sold. The price obtained for the ships was the higher and so-called fraudulent price of LE300,000, LE 60,000 of which was, under the contract, to be used to repair the ships before delivery, according to Abboud. While it is not known in what way the line embarrassed UAR consulates abroad, the only substantiated charge in this respect is a Mobil Oil (Egypt) report that Khedivial was behind frequently in payment of bunkering bills due Mobil in various foreign ports. Khedivial's alleged refusal to enter certain traffic on behalf of the government is contrary to known facts. Consulate General in Alexandria reports the line operated under government auspices in Cuban trade and became thoroughly disgusted with the way in which ships were despatched, called back into port from positions more than a hundred miles out, and otherwise expensively operated. Khedivial actually entered Alexandria-Latakia traffic but could not make it pay, as stated in the lines annual report to stockholders.

Undoubtedly the picketing of the Cleopatra in New York harbor last year was an unfortunate incident. Khedivial is not accused of single-handed precipitation of that situation, but rather of firing the whole crew immediately upon the ship's return. Abboud offered, during an interview with the reporting officer (Embassy A 15), a copy of a letter received from the UAR maritime workers union which, he said, thanked the company for keeping Cleopatra crewmen on the payroll for a period of six months during which the ship was idle.

The comments of private businessmen and of some government officials have indicated there is little general belief in the validity of charges against Khedivial. Rose al Yusif, an otherwise extremist Arabic language magazine, suggested rather surprisingly at the time that the Egyptian press ought to refrain from charges of corruption, mismanagement, etc., against companies whose takeover by the government obviously was an application of basic regime policies.

Abboud was quite insistent that charges against his company were false. Since his offer to turn over vessels of the line to the government at their present value some weeks ago was refused, in his judgment the real reason for taking over the line was Khedivial's cash reserve of LE 6. million in the National Bank of Egypt. That suggestion has been made concerning other businesses taken over in the past few weeks.

Such charges aside, the takeover of Khedivial Mail Line probably was dictated by a number of domestic and foreign maritime policy considerations. On the domestic side, the consolidation of all transport under

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Government authority is a well-established trend. The creation of a single UAR transport agency in the Ministry of Communications was decreed at the time of Khedivial's nationalization. Foreign policy factors are somewhat less clear, but may relate to UAR efforts to keep commitments to foreign shippers with whom agreements have actually been signed or are thought to be nearing that stage.

Most significant among international shipping agreements appears to be one recently reached between the UAR navigational authorities and the Deutsche-Levant line of West Germany. Under that agreement as reported to the Embassy the UAR and Deutsche-Levant are attempting to enforce a 25% preferential rate scale in trade between the two countries. It is believed that a similar proposal has been made to British conference lines with which negotiations have been in progress for almost a year. Undoubtedly Khedivial had long-term shipping contracts to which the application of either agreement would have been inimical. While the question would probably not have arisen with regard to Khedivial traffic to U.S. and other ports, government efforts to divert the line's vessels into ARONAV traffic might have aroused the possibility of a 25% income loss to Khedivial. Obviously Khedivial management would not have approved, although as a consequence that recalcitrance seems to have hastened nationalization.

The decree of nationalization stipulates that Khedivial stockholders will be compensated by conversion of the shares into twelve-year government bonds. Interest on the bonds was fixed at a rate not to exceed the average dividend per share paid over the last five years. Since Khedivial had not declared a dividend during that period, the bonds are in effect non-interest-bearing.

Enclosure: att 1
Charges Against Khedivial
Mail Line.

For the Ambassador:
Terrell E. Arnold
Terrell E. Arnold
Third Secretary of the Embassy

Approved by:
John W. Foley, Jr.
John W. Foley, Jr.
First Secretary of Embassy

CC to: Port Said, Alexandria

006493
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By CD NARA Date 8/4/00

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Page 1 of
Encl. No. 1
Desp. No. 53
From CAIRO.

CHARGES AGAINST KHEDIVIAL MAIL LINE

1. The Company held up the operation of its ships despite the fact that its attention was drawn to the damage of that action to the interests of the country.

2. The opposition raised by the Company's management to schemes envisaging reorganization of sea transport and crew wages, while all other companies showed willingness.

3. The Company ordered its ship captains to object to the authorities' instructions in the most critical times, despite the responsibility resulting from such action.

4. The Company would not cooperate with the U.A.R. consulates abroad placing them in embarrassing situations and involving them in heavy expenses.

5. The management of the Company dismissed the crew and workers of the freighter "Cleopatra" immediately upon her arrival at Alexandria from the trip inwhich those crew and labour made their famous stand at the time the ship was picketted in the Port of New York during April 1960.

6. The Company refrained completely from taking part in carrying wheat from Black Sea ports during the months of January and February 1959, in spite of the pressure exerted on it by the responsible authorities in impressing upon it the need for its taking part in the operation in view of the extreme shortage of wheat in the country at the time.

7. The Company supplied its ships operating on the America line for both voyages, from U.S. ports, obliging the State to transfer about half a million dollars per annum for that purpose. The authorities concerned consequently drew the Company's attention to that and explained that the ships must be supplied from Egyptian ports for the outward trip at least. But the Company withdrew her ships operating on the line and made no trips to American ports ever since it received the directive.

8. The Company tried to sell the pilgrim transport ships "Mecca" and "Gemhouriet Misr" (Al Wadi now) to a foreign company without first taking permission from or informing the authorities concerned, and above all immediately before the pilgrimage season, with the object of embarrassing the authorities and creating an unwarranted difficulty.

On the other hand, the Company declared that the selling price of the two vessels was LE 240,000, whereas later it appeared through the Foreign Minister, that the price had been LE 300,000.

9. The Company refrained from oooperating in the operation of transporting the pilgrims particularly those from the Northern Region.

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The Company refused, every pilgrimage season, to provide its vessels to help in the operation and maintained its refusal until it had to be threatened that the ships would be seized administratively.

10. The Company's bad standing abroad which resulted in its vessels being seized a number of times abroad, thus obliging the authorities concerned to intervene to obtain release of the vessels, in spite of the fact that the company pictured local authorities to foreign authorities as negligent and vindictive.

11. The Company objected to every request made to it for the running of ships especially for national purposes. The company tried to put obstacles and restrictions in such cases, such as when the company refused to run its veesel "Nefertiti" on the Alexandria-Latakia line when that became necessary.

12. The Company's attitude of animosity towards its staff and labour, and its fraudulent acts in matters affecting them. As a result, they persisted in complaining to the authorities against the company and insisted on getting rid of the company's management. The latest example was their collective complaint revealing the extent of injustice they are suffering.

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Control: 18363
Rec'd: July 27, 1961
2:05 p.m.

FROM: Damascus

TO: Secretary of State

NO: 41, July 27, 1 p.m.

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ACTION DEPARTMENT 41, CAIRO 65, ALEPPO, ALEXANDRIA UNNUMBERED

Re immediately preceding Unclassified CONTEL 40.

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Extension of new Egyptian region income tax law to Syrian region in some form was expected (our A-7). Remaining sharp differences between two tax structures point up once again that, for all its efforts to unify two regions, Cairo still feels obligated treat them as separate entities in some fundamental respects.

In easy influence-ridden days of Syrian independence, most Syrians filed fraudulent tax returns, and many profited from political ties with regime to evade income tax altogether. We understand that, since union, authorities have managed to catch most total evasions, but that under-statement of income on tax returns is rule rather than exception.

While new law does not address itself to this problem, its over-all effect will be to raise significantly taxes on individuals whose income from all sources exceeds ten thousand Syrian pounds a year. In such cases diminution of all Syrian occupational ansbnfdmqe* state taxes means little, since new tax is imposed on top of old taxes.

Law is obvious, significant and broadly effective step toward creation of much touted "Democratic Socialist Cooperative Society" and toward break-up of old economic-political landed aristocracy. So far our Syrian acquaintance in this category is still in such a state of shock following nationalizations

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that no specific new distinct reaction can be reported re new taxes. All recent developments constitute complex which moneyed class accepts as end of world they knew and effective creation of thorough going Socialist order.

On other hand, and while smaller merchants and middle class are also preoccupied with thoughts as to how far down the economic scale the government will pursue its socio-economic aims, vast majority of Syrian peasants, laborers, and white-collar workers are pleased with announced economic revolution and believe government is genuinely concerned with their well-being. Period of difficulty should be some time in future when performance will be measured against promises.

KNIGHT

LRR

*As received.

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FROM : Amconsul, PORT SAID

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE July 29, 1961

REF : NEA

AUG. 1 1961

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	REC'D 8/4			AIR	ARMY 3	CIA 10	NAVY 4	OSD	OCB	USIA 10	FTC 2					

SUBJECT: LOCAL REACTION TO NATIONALIZATION DECREES

Among those Port Saidians who lost the most as the result of the recent nationalization, earnings, and taxation decrees, criticism has been loud and bitter. Certain prominent business/political figures who a few months ago were afraid to be seen with Americans now talk very vociferously about Nasser and the regime in front of all in local bars and even while calling at the Consulate. The general theme is that we trusted Nasser and supported him for nine years -- now look what he has done to us. Those who were hurt the most all agree that the Revolution has just started and two of the most influential men while in their cups were so bold as to speak of "killing that man."

The prevailing thought among the more quiet businessmen is "who will we have to pay now." There are those in this group that feel that they will somehow be able to conduct business as usual as soon as they ascertain who now gets the bakhsheesh. To them it is a question of substituting an Army colonel for say a minor customs official.

The working class has apparently come to the realization that they will not benefit as much as they first thought. With everything nationalized the 25% profit sharing decree will not be applicable to many firms. Even if such were not the case some of the workers contend that the Government would operate the business so inefficiently that there would be no profit or even worse just fail to declare there was a profit..

The reporting officer attended a local National Union meeting chaired by the Governor the evening that the nationalization news broke. You could almost see it spread through the audience. Several prominent National Union members who were occupying dais seats with the Governor visibly lost interest in the proceedings when advised that their concerns had been among those nationalized. Later that evening many of the Port Said businessmen

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were out on the town, and they were not singing the praises of the Revolution that night.

Probably the single most interesting local development has been the demise of our number 1 political figure Abdel Rahman LOUTFY (Loutfy Pasha). While he was on holiday in the UK the Government took just about everything he had. Many considered that the Pasha was too powerful to touch. He was generally given the honor of introducing President Nasser on December 23rd at the Victory Day celebrations. However, lately it has been strongly rumored that the Pasha was one of the top people who has been trying to discredit Colonel Mahmoud YOUNES, Chairman and Managing Director of the Suez Canal Authority (see Condesp. 2, July 13, 1961, item 1). As a result it is now reported that Col. Younes is responsible for having the Government nationalize Loutfy Pasha's interests. It is a known fact that the Pasha's interests are now being supervised by the Secretary General of the Suez Canal Authority, Engineer Abdel Hamid ABUBAKR. Col. Younes seems considerably more at ease these days and is now seen touring our city quite often.

Along the foregoing lines and as a possible sign of things to come, a representative of the Consulate was advised by a usually reliable source that Col. Younes and the Authority were ready to take over the Port Said shipping agencies without the benefit of a Republican Decree until word was received from Cairo telling them not to touch the agencies. Reportedly the source of the instructions not to meddle with the shipping agencies was Hassan Abbas ZAKI, Minister of Economy.

Frank J. Walters
FRANK J. WALTERS
American Consul

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Control: 20258
Rec'd: July 29, 1961
2:27 P.M.

FROM: Damascus

TO: Secretary of State

NO: 47, July 29, 1 P.M.

RM/R
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ACTION DEPARIMENT 47 INFORMATION CAIRO 72 AMMAN BAGHDAD BEIRUT BELGRADE LONDON MOSCOW PARIS ROME ALEPPO ALEXANDRIA UNNUMBERED

Reference CONTELS 33 and 41.

886A.00

Cairo's 190 remarked on Nasir's awareness UAR's leap toward socialism has disturbed significant element population. Believe threat to regime's middle-class support is even greater here. Syria took Socialist road only three years ago; hence drastic nationalization and taxation constitute proportionately greater wrench in social fabric.

Officials are campaigning to alleviate apprehensions and counter inevitable wave of "malicious" rumors. Sarraj, Hawmad, Samman, Khuri, and Dayri have produced speeches or statements. Darde and Sawwaf have been televised. Campaigners have appealed to sentiment, used standard tactic of labor union "manifesto".

Dayri - - not Sarraj - - bearing brunt of defense. His TV interview July 27 doubly noteworthy: 1) interviewer played bold role of devil's advocate by posing some of anti-regimists most telling criticisms; 2) while Dayri's case not always plausible, his performance proved his choice as quarterback of local government team was happy one. Handsome, self-possessed, something of popular hero even before he left army, he has shown he can match eloquence and wits on platform with any professional politician.

Apologists for democratic - cooperative - socialism have linked tactics with objectives as follows:

Nationalization - to end monopoly control of large companies

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which a few capitalists had acquired by collusion with government officials and which they they used to manipulate Syrian economy, injure interests of small shareholders, monopolize industrial profits, and exploit workers. Also to standardize Syrian production. (Comment: Little question that Syrian industrialists have enjoyed privileges US law does not countenance.)

Limitation of individual stockholding - to facilitate investment by general public.

Graduated income tax - to institute social justice - - that is, make it hard to get rich.

In short, to achieve equality of opportunity for all: to quote from Labor Federation's manifesto, "no more nobles, no more slaves".

In answering critics, proponents of new legislation have made following points: UAR not going Communist. Electivity of nationalization and fairness of compensation proves state's dedication to principle of private enterprise. (However - - ominous note - - Dayri declared, where private enterprise fails meet responsibilities, state will step in. Spokesmen have stated small companies will never be nationalized, but they have been less explicit about remaining big companies. Syrian expectation of further nationalizations in industry, commerce, and housing is widespread.)

Private bank accounts are safer than ever; now government is their guarantor. (Nationalization precipitated minor run on banks, as Dayri admitted. Banks have virtually stopped lending money, and they are doing their best to discourage withdrawal of private deposits.)

Companies were nationalized out of principle, not as device to enrich treasury. Fact that some were making money, some losing, is irrelevent.

Nationalization is natural, logical consequence of policies enunciated by Nasir years ago. Nationalization will not frighten off foreign investment. Rather, by helping stabilize economy, it will help lure back capital which has fled Syria in past

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seven - eight years due political instability. (believe most capital flight occurred during past year.)

Nationalization conforms to principles of Islam and Christianity. Dayri cited Nasir on this point as well as Voter et Magistra Encyclical.

Syrian stocks will keep their value. Stock trading will be resumed and shares will seek natural price levels. (Suspect regime is on shaky ground here.)

Workers 25 percent of corporate profits is sacrosanct. (We are already hearing of cases where workers have interfered in management in interests of protecting their quarter interest in profits.) (Comment: This can lead to major difficulties because workers do not understand need for depletion and depreciation write-offs, etc.)

New Company Directors include some of Syria's best young men. Nationalization of Suez torpedoed old indispensability argument. (Fact is that many are callow youths without business experience.) Dayri gave this fact implicit recognition by noting that present boards are provisional and that government can train "army" of experts.

(Government's arguments cited above are of course not convincing capitalists, although Dasuqi, Rikabi, and colleagues are going through motions of dedicating new companies. We detect signs that very officials who must enforce new laws are sometimes of two minds about them. Ministry Finance Director Qasimi told us nationalization of textile factory built by Dibs family out of funds earned from long painful years abroad was "tragedy". White collar workers, conscious of apparent parallel between Tito's philosophy and Nasir's, have expressed to us doubts UAR can match Yugoslavia's success. Even some workers reportedly apprehensive nationalization, higher taxation, and ineptitude of new management will depress economy.

Above adverse reactions are confined to minority of population, however, many of whom were already anti-regime. From political point of view, there is little doubt regime can and will impose recent laws and decrees.

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By CD NARA Date 8/4/00

Big question mark is performance. Embassy Cairo has estimated that Nasir recognizes there will be adverse economic effects. Construction here has slowed. Confidence in word of regime and future or private enterprise has been rudely shaken. Traditionalists faith in modern banking system, a young and fragile flower, has now withered. Syrians who have heard government is behind on interest on agrarian reform bonds are asking how government can meet payments on nationalization bonds. Entrepreneurs principal concern today is to liquidate assets. Husni Sawwaf and other officials have admitted to us private investors bound to pull in horns, with consequent temporary decline in economic activity.

At same time Syrian administration, not known for its efficiency, has assumed more responsibility than ever before.

Government has taken countermeasures. David Humsi, who wants to liquidate his automobile agency, has been "advised" not to close. CAS says interior agents, many of them Egyptians, are thick around factories. Revolution day dedications of private factories were probably intended to help restore investors confidence.

Additional complication: Now Government is an employer. As Minister of Labor, Dayri had chummy relationship with workers. It is now his duty to remind workers they have obligations as well as privileges. It is already being reported workers dislike government proposal of two seven-hour shifts a day instead of one eight-hour shift, in fear more workers will be hired and their share in profits will be halved.

Effect on Syro-Egyptian union must also be measured. More than ever before Syrian affairs are subject to Egyptian policy guidance. At same time, out of deference to Syrian sensitivities, administration remains in Syrian hands. Regime is faced with difficult choice. To carry out enlarged responsibilities, they need technicians. If they bring in more Egyptians, strains on union will be exacerbated. If they leave administration in Syrian hands, implementation may not be sufficiently vigorous, efficient, or enthusiastic.

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By LD NARA Date 8/4/00

If experiment succeeds, economically and politically, Nasir will have manifestly enhanced his claim to leadership of Arab World. In any event, he will have made over Syrian society, substituting for old hereditary and war-rich aristocracy a new aristocracy of government officials, possibly similar to Communist Party cadres in Yugoslavia or Soviet Union. Former corporation directors are already being retired. Representatives of old order have seen hand-writing on wall. They have told us they are acutely conscious of antagonism which Syria's new class feels for them. Many of them are exploring prospects outside Syria. Some, like Tarabulsi, have already left.

Regardless of which "ism" is in motion a social revolution is taking place in Syrian region. On balance we believe Nasir and his team in Syria will eventually be successful in carrying it out. Greatest difficulty which they should encounter should stem from insufficient and inadequate cadres to run, let alone develop, the present big business, banking, and insurance complex of Syria, thus causing inefficiencies, poor performance and hardships during period of transition which may be lengthy. Principal political risk would result from such disappointment on part of rank and file because of unfilled hopes and promises that significant army elements might be tempted to throw in their lot with malcontents. Nothing of this kind however now on horizon and if anything we feel that for time being at least net effect of last two weeks developments has been to lessen Syrian particularism and strengthen central UAR control over this region.

DML KNIGHT

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CONSULATE GENERAL OF THE
UNITED STATES OF AMERICA
886B.19/9-3061
AUG 10 1961
XR 886B.053

FROM : AmConsul ALEPPO

NO. 15

TO : THE DEPARTMENT OF STATE, WASHINGTON.

UNITED ARAB REPUBLIC
July 30, 1961
886B.14

REF :

For Dept. Use Only	ACTION	IFE-7	INFO	DEPT	RM/R 2	REP 1	AF	ARA	EUR	FE	NEA 4	CU	INR 7	E	P 29	IO	ICA 11
				OTHER	AGR	COM 10	FRB	INT	LAB 8	TAR 2	TR 3	XMB 4					
	REC'D 8/24				AIR 6	ARMY 4	CIA 12	NAVY 4	OSD 5	OCB	USIA 10	FTC 2	DLF 7		AM 3		

SUBJECT: Reaction to Nationalization Decrees.

Reaction in Aleppo to the series of decrees nationalizing or partially nationalizing banks, insurance companies and industries, limiting share participation, and establishing new rates of taxation has in most respects followed anticipated patterns, varying slightly among the various social and economic groups.

Owners of plants and banks affected by the decrees, owners of excess shares and persons with incomes in the L.S. 100,000 bracket, of which Aleppo has a considerable number, have for the most part, been stunned into inertia and apathy. Individuals such as Haj Sami Sayyem al Dahr, textile manufacturer, President of Chamber of Industry and host, perforce, of President Nasser on his last two visits to Aleppo, Edmond Homsi, President of the Chamber of Commerce, Mohammad Said Zaim, Vice President of the Chamber of Commerce, President of Red Crescent and other philanthropic organizations and others like them have had virtually all their capital levied by the new decrees. The issuance of bonds and the payment of interest and capital at end of 15 years is discounted by all. Most hold the view that confiscation of their capital makes it virtually impossible to utilize their ability for the benefit of the state and does not necessarily mean equivalent gains for the economy.

Owners and participants in industries not yet affected by nationalization and by forced sale of shares view their future with misgivings and with concern as to when their turn will come. Under the new taxation, accumulation of capital is viewed as becoming increasingly difficult. Owners of apartment houses, office buildings anticipate new decrees limiting their holdings and restricting their return.

Among middle class and professional people, most of which have not been directly affected, several trends of thought are observable.

886B.19/7-3061
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FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO: E	ACTION TAKEN no reply necessary	
NAME OF OFFICER & OFFICE SYMBOL OFD/ED Mrs Nassif	DATE OF ACTION 9/6/61	DIRECTIONS TO RM/R File

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By CP NARA Date 8/4/00

1. There is some evidence of satisfaction that the obviously wealthy have been hit, although wealthy Aleppines have never been noted for ostentatious expenditure. On the other hand, there is a community of sympathy among many professional people as members of families which have been badly hit.

2. The new decrees represent not merely the closing of doors to accummulation of capital and property but also limitation of the scope of employment, in view of emphasis on military personnel and on politically acceptable persons, i.e., National Union Committee members in the new management. One lawyer, known to the Consulate General, is already looking for new means of livelihood since his post as a company lawyer has now been filled by a National Union Committee member. By and large the middle class see the new decrees plus the restrictions as important as adversely affecting the standard of living.

Among laborers and farmers, there does not appear to be the great enthusiasm which the press and radio describe in such glowing terms. The earlier decree setting aside 25% of company profits for the workers pleased many workers although the realization that only 10% of the profits will accrue to them in cash has weakened their enthusiasm. The local demonstrations, praising the President and the regime for the decrees, as organized among the workers were noisy but lacked both spirit and numbers, a few hundreds only and these largely from the electrical plant and the tram and bus employees.

The most distinct and prevailing of general attitudes is that of fear. It is fear of the future, and on the obverse side, lack of confidence in the regime. It is the fear that, now that the government in Cairo has struck at certain groups, nothing is safe from government actions, notwithstanding soothing words and phrases from the President.

Universal also is the fear to speak out and to speak freely. It is obvious to even the casual observer that security police in civilian clothes have multiplied in public places. It is also credibly reported that secondary school students have been recruited as informants with liberal pay for information. The activities of the intelligence and security forces in ferreting out the Tashnak arms and their brutality toward the alleged secret "operators" have no doubt been given additional and intentional prominence in the press and radio. In any event, fear of the policy is present, not merely among Armenians but in virtually every group which has reason to be dissatisfied with the present regime. Coupled with such fear is the frustrating realization among groups most affected by the decrees, that there is nothing they can do about it.

Another attitude

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Another attitude peculiar to Aleppo is that President Nasser who from his earliest visit showed fear and dislike of Aleppo and who refused to visit the city on his last trip to Syria, is now avenging himself on the city. Cited is the fact that the majority of plants and individuals affected are located in Aleppo. That President Nasser has repeatedly stated that the new decrees were not intended as revenge and must not so be regarded, has only confirmed the view that the President has a guilty conscience.

Philip W. Ireland
American Consul General

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Authority NND 949570
By CD NARA Date 8/4/00

NEA:NE/E:ESDuncan:JPK
(Drafting Office and Officer)

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886b.19/7-3161

DEPARTMENT OF STATE

~~TELEPHONE~~

Memorandum of Conversation

DATE: 7/31/61

SUBJECT: Pepsi Cola Company's Concern Regarding UAR Nationalization Measures

PARTICIPANTS: Mr. Donald M. Kendall, Pepsi Cola Company, New York, New York
NE/E - Enoch S. Duncan

COPIES TO: NEA (1)
NE (2) 1 cc
NE/E (2) 1 cc
INR (8)
Amembassy, Cairo 1 cc

AUG 4 1961

Mr. Kendall called to discuss the recent nationalization measures taken by the UAR and to describe the position of his company. Mr. Kendall observed that the Pepsi Cola bottling company in Egypt has not been nationalized whereas the Coca Cola bottler, Egyptian Industrial and Trading Company, had been. The Coca Cola bottling company is entirely Egyptian owned. The United States Pepsi Cola Company holds L.E. 140,000 worth of stock in its Egyptian bottling company. The Pepsi Cola Company in Egypt also has a Cooley Amendment loan for L.E. 350,000. The United States company has had tentative arrangements to sell an Egyptian group all of its shares as soon as the Cooley Amendment loan would be paid off, but the nationalization actions appear to destroy these prospects.

Kendall seemed to view nationalization of the Egyptian Pepsi Cola company as not unlikely and displayed no enthusiasm for his company's receiving fifteen year 4% UAR government bonds as compensation for its shares. He said he assumed that the limited liability company would continue to have the primary obligation for the repayment of the Cooley Amendment loan, however, should the company be nationalized. Also the company has about L.E. 117,000 in revolving short-term credit facilities with the National Bank of Egypt for which he assumed the Egyptian company's assets would continue to be liable before any recourse to the American Pepsi Cola company which is guarantor for this amount.

Mr. Kendall reported that the Egyptian Pepsi Cola company and other Egyptian companies using imported syrup concentrates had received letters from the General Administration for Sanitation and Food Control of the Ministry of Public Health, requiring a detailed statement of the exact chemical composition of the syrup being imported. Kendall said that they would probably answer giving approximately the same information supplied for Pure Food and Drug

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None

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By LP NARA Date 8/4/00

purposes of the United States, taking necessary steps in the report to protect the essential secret formula aspects of Pepsi Cola.

Mr. Kendall said he had talked with their Egyptian lawyer, Zaki Hashem, currently in Europe. Zaki was very depressed by the developments in the UAR and while planning to return to Egypt himself in about two weeks, did not intend to take his family back. In the meantime, he had advised Mr. Kendall to sit tight and await developments.

Mr. Kendall recalled the considerable difficulties he had had in straightening out the administration of the Pepsi Cola in Egypt and noted the continuing difficult relationship with labor at the plant. He observed that labor was to be given a position on the board of directors under new legislation and opined that administration of the company was likely to become increasingly difficult. I told Mr. Kendall there did not appear to be anything I could add to information he already had. Mr. Kendall said he would report any important developments on the subject coming to his knowledge and asked to be informed if anything specifically relating to his company should be reported to the Department.

Note: Mr. Kendall's phone number in New York is Murray Hill 8-4500.

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Authority NND 949570
By CP NARA Date 8/4/00

INCOMING AIRGRAM *Department of State* 886.2-19/8-1161

XR 586.2-3/7-2

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Action

NEA-17

Info

AMB/R-2

E-11

ICA-20

EUR-15

INA-8

CIA-15

COM-6

TAR-2

TR-5

FRB-2

AGR-20

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PAGE 1 OF 2 PAGES

Date Sent: August 1, 1961
Rec'd:

FROM: AmConGen ALEXANDRIA

TO: SecState WASHINGTON A-11
AmEmbassy CAIRO A-10

NO:

AUG 4 2 26 PM '61

Ref: ConGen A-9, July 25, 1961 (Cairo A-8)

All indications are amendment to Law 71 referred to in reference airgram will be interpreted as abrogating Anderson, Clayton & Company (ACCO) contract with National Bank of Egypt (NBE). Managing Director Nile Ginning Company (NGC) Samir EL KHADEM told me this in unscheduled call at my home Sunday afternoon, July 30, adding he fears ACCO may be asked to reimburse $300,000* already paid by NBE, unless ACCO can act quickly protect its interests. Referring to fact that retroactive amendment being applied to all other deals whereby cotton exporting firms previously forced sell 35 per cent to a Govt. economic organization (See ConGen A-2, July 5, 1961 and D-20, July 31, 1961), El Khadem said NBE officials have thus far seen no way in which NGC can be excepted. Like other firms, therefore, he said ACCO will now presumably have to accept 15 year four-percent government bonds instead of cash for 50% of company's shares, unless ACCO, supported by Embassy, should find means effectively to insist upon ACCO-NBE contract being upheld. He thinks ACCO has strong arguments to advance but his experience thus far indicates ACCO should appoint skillful attorney raise matter first with NBE then probably with Min Econ ZAKY. (He suggested lawyer like Dr. Ahmed Zaki EL SHIATI, on ConGen "approved" list of attorneys, as type he has in mind.) He explained his own ability protect ACCO interests this matter strictly limited by virtue of fact NGC is now technically an NBE subsidiary. When in conversation July 29 with an NBE official he said, "Let's assume I am senior ACCO representative in Egypt....", he was cut short by the official who warned him not to consider himself as acting in that capacity. He said from letter he had just received from ACCO, he gathered latter unaware of implications in new decrees. He had sent additional letter today trying to hint broadly that all is not well, but wished we could get word to ACCO as to need for quick action.

---

* not £300,000 as he told us in "slip of tongue" in conversation reported in ref. airgram.

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By LD NARA Date 8/4/00

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El Khadem observed only NGC and Al Kahira Cotton Co. were controlled by banking institutions and latter are not considered to be "economic organizations" within meaning of Law 71 as amended. Accordingly, Banque du Caire (which holds 25 per cent of Al Kahira shares) and Al Kahira's other shareholders are selling half of their shares to the E.D.O., leaving Banque du Caire only as minority shareholder. He thought similar action might be expected from NBE and ACCO, leaving NBE with 37½ per cent and ACCO with 12½ per cent of shares, remainder to be sold to E.D.O. for four-per-cent bonds. Even under this arrangement, he thought ACCO might at least insist upon repatriation of the dollar proceeds of the 37½ per cent of the shares to be retained by NBE. Since total of £750,000 was paid by NBE to ACCO and already credited in pounds to ACCO's local account, this would mean that one-half of this amount, or £375,000, might be remitted to ACCO at official rate of exchange, ACCO accepting bonds for remaining £375,000 and half its self-owned shares. He also wondering whether ACCO might negotiate new contract with E.D.O. providing payment in dollars for its services on ginning and pressing mills -- in other words, a kind of management contract.

(Note: we unable to evaluate whether these plans would in final analysis be acceptable to any of parties but are reporting them as showing both trend of El Khadem's thinking and complex nature of problem.)

I asked El Khadem if he thought ACCO should send American representative here now. He replied this not yet necessary but he hoped ACCO would take prompt action either to request Embassy intervention or appoint attorney, or both. He made clear request for either action should come from ACCO, since he is in extremely delicate position and must move with caution. In apologizing for calling on me unannounced (ostensibly to return book I had lent him), he said he had come on foot rather than by car in hope his call would not be reported to G.I.D.

COMMENT: El Khadem obviously does consider himself as being in precarious position and, while his fears may be overdrawn, they are typical of those of many individuals with whom we have talked since "socialist" decrees issued. Embassy may see way clear to raise matter with NBE or other officials without waiting for request from ACCO, but El Khadem made clear he would not wish to be quoted and we hope any inquiry to NBE or other officials will be made on grounds of independent study of decrees by ACCO, Dept., or Embassy. As noted in reference airgram, Dr. Mohamed Mahmoud ABU SHADY may also be in difficult position and El Khadem said Bank has earnestly been seeking way preserve contract as signed. Sum involved is relatively small and it is to our knowledge the only U.S. Business interest directly affected by the new decrees. For this and other reasons we hope U.A.R. officials will be inclined seek practical solution which will minimize adverse effects on ACCO.

(Note: This communication is classified to protect source and to insure handling by courier pouch. Its contents may be discussed with representatives of ACCO if Department deems such action advisable, although it is hoped ACCO will not refer to it or El Khadem's discussions with us in any communication it sends on this subject.)

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(SYNC)

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Control: 2962
Rec'd: August 4, 1961
1:11 a.m.

NEA MESSAGE CENTER
1961 AUG 4 PM 3 1

FROM: Cairo

TO: Secretary of State

NO: 231, August 3, 2 P.M.

ACTION DEPARTMENT 231, INFORMATION BEIRUT 32, DAMASCUS 41 ALEPPO, PORT SAID, ALEXANDRIA UNNUMBERED

Press has been producing steady daily flow of commentary on Nassers new "revolutionary" decrees. Bulk of it consists of usual variety vapid adulation which Cairo editorialists now turn out on demand. Measures hailed as bringing new era of economic benefits for people with little attempt delve deeper into economic complexities of matter. Theme which emerges most persistently is that hard work will now be required on part all citizens in order to implement decrees. Of late, increasingly defensive tone has appeared. Press has echoed Nassers emphasis that purpose decrees not punishment wealthy class but control of economy by government for benefit all citizens. There is indication regime is using press campaign to convince audience both within and outside UAR that new decrees essentially moderate and to reassure disaffected elements that they still have future in UAR (e.g. sorely-needed managerial class).

Treatment has also indicated extreme sensitivity to criticism of new measures, particularly from outside UAR.

(1) AHRAM lead story August 2 reported that after silence 11 days "Communist parties" (referring apparently Lebanese Communist press) had opened "violent" attack on new decrees. AHRAM repeated gist of Communist charges: Decrees only benefited Capitalists, not workers or farmers; bad effects would result if decrees did not have effect of orienting UAR trade to Soviet Bloc, etc. AHRAM appended brief comment that UAR would ignore these attacks "by agents who have lost their nerve" and continue fashion its own society as it saw fit. (2)

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By CD NARA Date 8/4/00

(2) Salah Salem, Editor-in-Chief GUMHURIYA, said in somewhat defensive article August 1 UAR would face many obstacles, both natural and "planted", in implementing new measures. "Enemies" of new measures already spreading rumors that thousands who worked for or provided services to rich would be out of work, that new measures were distributing poverty, not benefits.

(3) Salem followed up August 3 with lengthly article GUMHURIA (also printed in English-language GAZETT) entirely devoted to answering attacks on new measures and proving them appropriate deal with weaknesses of old system which had allowed Capitalists manipulate accounts and evade controls imposed by state. Salem also argued (not very convincingly) that new system will offer as many incentives for high production as old.

(4) GUMHURIYA editorialist Fahmi stated Zionism is now focusing its hatred on new decrees, which only natural since it has been claiming Israel only true Socialist country in ME.

(5) AHRAM noted on front page NEW YORK TIMES editorial which took relatively favorable view new decrees.

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Action NEA-12

Info RPM/R-2, EUR-15, L-3, E-4, ICA-20, INR-8, Com-6, FTC-2, CIA-15, Atheron No copy

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PAGE 1 OF 1 PAGES

Date Sent: August 4, 1961
Rec'd: 2 PM

FROM: Amembassy LONDON

TO: SecState WASHINGTON

NO: A-224

INFO: Amembassy CAIRO A-15,

Amconsul DAMASCUS A-4.

INT-5 Lab-8 USIA-15 AR-5 Fred-2 Army-Ord Navy-4 NSA-4 050-20

Reaction both official and unofficial in London to recent UAR nationalization decrees has been relatively mild.

Foreign Office sources commented to Embassy that they regard decrees as internal UAR matters and not directed specifically against foreign interests. UK for present at least plans no official action.

Financial Times August 1 in summarizing business reaction said British companies still unclear about precise implications of new measures.

In case of Anglo-Egyptian Oil Fields (31% Shell, 31% BP, 10% UAR Government, 28% private Egyptian interests), tendency has been to play down possible adverse consequences. Machinery under which share transfer will take place and commercial and production policies of prospective official directors still uncertain. It remains unclear whether UK interests will decide liquidate entire holdings or will be happy continue on minority basis.

In banking field, number of foreign banks concerned were engaged in process of negotiating with authorities on "Arabization" and question arises whether new or old decrees will be basis future organization. Financial settlement envisaged in earlier negotiations would have been distinctly more favorable to foreign companies than nationalization decree provision.

Relatively calm British attitude undoubtedly results also from fact most British business had previously been taken over at time of Suez.

JONES

POL/N:DDNewsom:rmm
8/3/61

David D. Newsom

Clearance: POL:Mr. O'Shaughnessy
E/MIN:Mr. Deale

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XR 886B.05100
AUG 15 1961

FOREIGN SERVICE DESPATCH

32
NO

FROM : AmConGen, ALEXANDRIA

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 11, 1961
ALEXANDRIA, U.A.R.

REF : CERP D-10; ConGen D-16, July 25, 1961; D-232, April 4, 1961 and previous

886b.19/7-2561 886b.00/4-461

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ACTION	NEA-4	INFO	OEP	RM/R 2	REP 1	AF	ARA	EUR 5	FE	NEA	CU	INR 7	E 7	P	IO 4	ICA 11
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	REPD 8/22			AIR 6	ARMY 4	CIA 12	NAVY 4	OSD 5	OCB	USIA 10	NSA 4	DLF 7				

SUBJECT: Effect of UAR Socialist Decrees on Alexandria Minorities

Port Said -1
London-1 Damascus-1
Moscow-1 Athens-1
Rome-1
Beirut-1

NEA MESSAGE 23

SUMMARY

The new U.A.R. "socialist" decrees have given added impetus to the exodus of foreign minorities from Alexandria and have severely affected important business interests owned by foreigners, especially Greeks and Lebanese. Only the Italians are finding it relatively easy to re-establish themselves in their home country, and what might be regarded as a relatively limited "refugee" problem might arise as a result of the difficulties departing Greeks and others are having in finding admission to and gainful employment in other countries. The technical and other skills which most of these would-be emigrants possess should help to minimize this problem. Other subjects discussed briefly include the position of the Copts and other local minority groups, and the probable consequences to the district's economy of the departure of many thousands of skilled foreigners.

* * * * * * * *

In a series of interviews, the reporting officer and I have obtained a general summary of the effect of the UAR Socialist decrees on the Greek, Lebanese, Armenian and Italian communities of Alexandria. The Greek and Lebanese have been extremely hard hit; the Armenians least hard hit directly; the Italians, a poorer community, have also been hard hit and are in process of steady departure under Italian Government sponsorship.

Greek Foreign Minister Evangeles AVEROFF has been in Alexandria consulting with members of the Greek Community since Sunday night, August 6. We understand that among the subjects raised with Foreign Minister Averoff were what means of support Greeks leaving for Greece would have from their government and how the Greek government could assist Greeks in repatriating their capital to Greece through use of the Greek-Egyptian exchange clearing agreement.

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By CD NARA Date 8/4/00

An important potential effect of the socialist decrees on the foreign communities is the possible creation of a new Mediterranean "refugee" problem, with many additional Jews, Armenians, Greeks, Lebanese and perhaps Italians seeking homes in other lands.

The heavy financial blow to the Greek community of Alexandria has been reported separately (See ConGen D-16).

The impact on the Lebanese and Egyptians of Lebanese descent has been severe, with at least LE 20,000,000 in industrial holdings in Alexandria and vicinity either taken over by the Government or otherwise severely affected by the decrees. One family alone--the Emads of Tanta and Alexandria-(See ConGen D-132, Nov. 29, 1960 and D-154, Jan. 3, 1961) holds industrial and other property worth LE 10,000,000 which has been nationalized or otherwise adversely affected.

The Lebanese Consul reports (see enclosure No. 1) that in all of Egypt there are probably 60,000 Egyptians of Lebanese origin, the majority of whom are claiming dual nationality andlarge numbers of whom are expected to emigrate now. He reports that since 1956 20,000 Lebanese have left Egypt. There are only 5000 Lebanese passport holders in the Alexandria area. There are many thousand more--at least 25,000--with dual nationality.

The Lebanese Consul reports that a general spirit of pessimism and a persecution mania has taken over the entire Lebanese community. The Lebanese Christian particularly feels he is not wanted in Egypt (1) because he is a Christian and (2) because he is Lebanese. The consul nevertheless emphasized that Lebanese born in Egypt loved Egypt as a country in which to live, wanted to remain, and would go only most reluctantly.

The Italian Vice Consul reports (see Enclosure no. 2) that the clearly identified Italian investments affected by the socialist decrees did not total more than LE 2,000,000, but that an additional LE 500,000 to LE 1,000,000 in shares were owned by numerous small Italian shareholders. He stressed that Italians were seeking to leave Egypt and the Italian government was helping them when they could show extreme financial need. He said that the Italian colony of Alexandria now numbers from 8,000 to 10,000, a drop of at least 3,000 since 1959. He reports his Consulate General has repatriated 1500 Italians since January 1, 1961, and predicts another 1000 will leave within the next six months. He reports the Italian Chamber of Commerce of Alexandria will meet shortly to discuss the impact of the new laws on the Italian business community and to recommend what, if anything, they wish to ask the Italian government to do as a remedy.

The Armenian Community President, an Egyptian citizen, and owner of an important Alexandria tannery, was considerably more reluctant than his consular colleagues to speak about the impact of the decrees on the Armenian community (See Enclosure No. 3). He said: "The fate of the Armenians is inextricably bound to the fate of the Egyptians. If they sink, so will we." He stressed that 90% of the 45,000 Armenians in Egypt (15,000 in Alexandria, 30,000 in Cairo, and elsewhere) were Egyptian citizens; the other 10% hold Cypriot, Turkish or

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or Lebanese nationality. He pointed out that the predominantly Armenian industries --bronze work, shoe manufacture, mechanical and machine shop work, dyeing and cleaning establishments, tanneries--had not been nationalized "yet". He said, of course, that all Armenian shareholders in the 400 nationalized firms would be receiving bonds in lieu of their shares and 4% interest in lieu of their generally higher dividend payments, but that others, like himself, had invested in the Greek winery of Gianaclis that was not nationalized. (It is generally believed that the "safest" investment in Egypt today is in a winery, brewery or distillery, for a Moslem state will not apparently nationalize any of these.)

The Armenian Orthodox Community President was principally concerned about the possible financial effect on his community-supported churches if the government should limit church-owned lands to merely 100 feddans. He said that up to now the Armenian Church properties have been exempted, although four times within the last year it has been an "on again off again" proposition. He said the church owned 5000 feddans of land, 1500 not cultivated, 3500 cultivated, from which they earned revenue for support of the churches, the Community School, charity, old folks home, medical dispensary, and college scholarship funds. He said, in addition, the church also owned buildings and stores, from which it earned revenue for support of church institutions. He feared for the future of the whole group of investments.

Other Armenians with whom we have spoken are less guarded and more pessimistic in commenting about their future here than their community President. For example, one Armenian said that the concensus in the community was that they are not wanted in Egypt and will probably all have to leave within five years or less. There is even talk about the possibility of being bundled off to Soviet Armenia if they do not make their own arrangements to depart. In addition to other worries, the local community was sufficiently disturbed by the recent charges against Tashnak extremists in Syria to issue a denunciation of their alleged activities and a protestation of the local community's complete loyalty to the Regime. I should be surprised if a great many of them do not find some way to adjust to the situation and remain in Egypt, although perhaps on a lower standard of living than that to which they have been accustomed.

Comments we have heard from Coptic Christians of this district show that many of them share the attitude of pessimism for their future and that of their children that is current among the above-mentioned minorities of foreign origin. As is well known, they have for long considered--and apparently to an increasing degree of late--that they are discriminated against because of their religion; and to this is now added the prospect of an authoritarian socialist-oriented society and economy which to the professional and propertied group of Copts is obviously distasteful. There has been a perceptible increase in the number of Copts from this group inquiring at this office about the prospects of immigration into the United States, but, as other reports from this office have shown, Moslem families at this same general class level are also concerned for the future and especially of that of their children; and a few rather prominent Moslems have also talked to us about possible emigration. The degree to which the pessimism among the Copts, therefore, is due to alleged discrimination against a religious minority appears to be less than that of the distaste which many feel for the new socialist decrees, which affect both Moslems and Christians alike. At the same time, there

GPO 902667

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Authority NND 949570
By CD NARA Date 8/4/00

probably has been some (although not yet very significant) increase in the marriage of Copts to Moslems in this district, and one informant said that nearly a dozen young Coptic men of his acquaintance had married Moslem girls and, of course, had embraced Islam.

A conversation which I had recently with British Consul General Robert G. DUNDAS as to the significance of these trends is recorded in Enclosure No. 4. It will be noted that Mr. Dundas believes that the difficulty which emigrants from Egypt, other than Italians, are having in obtaining admission to and gainful employment in other countries may lead in the near future to another Mediterranean refugee problem, and that the Western countries may find it necessary to give consideration to extending assistance to Greeks, Armenians, Jews (of whom around 2,500 remain in this district) and perhaps others who are "forced" to leave Egypt by the pressure of the Egyptianization trend (See reference D-232 and previous). He speculated on the possible inclusion of Copts in this category, but it will be noted that I expressed doubt as to applicability of the term "refugee" to members of this group, at least on the basis of present conditions as we know them.

Conclusion: While it is yet too early to tell how deeply the new decrees will affect the remaining foreign andother minorities here, there is no doubt that they have given added impetus to the exodus of foreigners which has been proceeding at an increasing pace since the Work Permits Order was issued last year. The plight of these foreign groups is one that inspires pity in the onlooker, particularly for those in the lower and middle income groups who are finding it difficult to re-establish themselves either in the countries of their national origin or in third countries. Most of them possess technical skills and language abilities which should enable them to make a useful contribution to any country requiring such services, and in this respect any "refugee" problem which may arise should be less difficult to deal with than most other refugee problems facing the international community today.

Another series of consequences which is less easy to evaluate at this stage is the effect of the departure of these thousands of technicians, office workers, entrepreneurs and managers on the economy of this district. While we are inclined to think that within a few years Alexandria, shorn of its traditional cosmopolitanism, will doubtless be a larger--and by Egyptian standards--still prosperous city, the short-run economic effects of their departure are bad. Quite apart fromthe stimulus which skillful entrepreneurs among the Greek, Lebanese and other foreign groups have contributed to the building and growth of this city's business life, the relative dearth of capable managers and technicians already appears to be somewhat of an impediment to sound economic development. This dearth is readily apparent to any of us who need to have delicate electrical or other equipment in his household repaired, or other kinds of work performed requiring special training and managerial skills.

The training--or retraining-- of local labor is proceeding, but the results have thus far not been visibly very successful, save perhaps in old-established industrial organizations such as those of the Misr group. We are not in a position to give expert evaluation of the total magnitude of this problem, but we

GPO 902667

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Authority NND 949570
By CP NARA Date 8/4/00

feel safe in concluding that in the ousting of these foreign groups the United Arab Republic is losing more in technical skill and business know-how than it stands to gain in jobs for the unemployed or other economic benefits. Whether or not the authorities are sufficiently aware of the price it is paying for Egyptianization, it seems clear that they are more than willing to pay it, as well as to endure any loss of good will abroad. the U.A.R. also stands to lose thereby. A "strong" regime like the present one might be able to resist the pressure of local unemployed, but not the temptation to use this means to establish a more complete and pervading control over both the economy and the people who administer it.

Harlan B. Clark

Harlan B. Clark
American Consul General

cc: CAIRO

Dept pass to: PORT SAID
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FORM FS-439 a
6-1-60

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Page 1 of
Encl. No. 1
Desp. No. 32
From ALEXANDRIA

MEMO OF CONVERSATION

PARTICIPANTS: Armando Diaz, Italian Vice Consul
Rupert Prohme, American Consul

PLACE: Italian Consulate General

TIME: August 3, 1961

SUBJECT: Effect of Socialist Decrees on Italian Colony Here

In response to my question as to how the UAR socialist decrees are affecting the Italian colony in Alexandria, Mr. Diaz reported the following:

1. One Italian silk factory was taken over under Law 119, leaving an Italian who held £280,000 of its shares, with only £10,000;

2. Seven Egyptian corporations in which Italians held the majority of the shares were nationalized under one of the three laws;

3. In sum, clearly identified Italian investments totalling £2,000,000 were affected by the decrees. The owners of the shares, who before were receiving an average of 7 to 8% return on their investments, will now receive at best 4%, or about 50% less.

4. In addition, it is roughly estimated that Italians privately holding shares totalling from £500,000 to £1,000,000 will also have been affected by the laws.

5. The Alexandria Italian Chamber of Commerce will meet shortly to discuss the impact of the laws on the Italian business community. At this time, an effort will be made to determine as clearly as possible the financial impact of the new decrees on the colony and to determine what, if anything, the community wishes to ask the Italian government to do as a remedy. It is Mr. Diaz' intention to convey the local colony's views and requests to his Embassy for action.

6. Speaking of the future of the Italian colony, which now numbers from 8,000 to 10,000 a drop of at least 3,000 since 1959, Mr. Diaz reports that his Consulate General has repatriated 1,500 Italians since January 1 and has had informal indications that at least another 500 wish to leave. Mr. Diaz predicts another 1000 will leave within the coming six months, with a particularly heavy influx expected in September and October.

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Authority NND 949570
By CD NARA Date 8/4/00

a. In addition to those departures definitely known to the Consulate General, because of its financial participation and sponsorship, Mr. Diaz believes there have been many middle class departures that are not reported to the Consulate General.

7. Mr. Diaz said that unfortunately the majority of the remaining Italians in Alexandria are poor. When they ask for advice from the ConGen they are urged to leave Egypt. Mr. Diaz added that some Italians are now in the process of leaving Tunisia also and are going to compete with Italians leaving from here for jobs in Italy.

8. Mr. Diaz said that the principal problem for Italians in Egypt in the last year was that of obtaining work permits. This problem had made life so complicated and uncertain here, that most Italians on their own had decided to give up the effort to stay here.

GPO 902667

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Authority NND 949570
By CP NARA Date 8/4/00

FORM FS-439a
6-1-60

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Page 1 of
Encl. No. 2
Desp. No. 32
From ALEXANDRIA

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Mr. Pierre Ziade, Acting Lebanese Consul, Alexandria
Mr. Rupert Prohme, American Consul

PLACE: Lebanese Consulate General

TIME: August 4, 1961

SUBJECT: Effect of Recent Socialist Decrees on Alexandria Lebanese Community

In response to questions about the effect of the recent UAR Socialist decrees on the Alexandria Lebanese Community, Mr. Ziade reported the following:

1. Lebanese passport holders in Alexandria number probably 5,000. However, far more Egyptians of Lebanese and Syrian origin have registered at the Lebanese Consulate General for dual nationality status. In fact, Mr. Ziade said, the latter group, whose dual nationality is a secret between them and the Lebanese Consulate General, probably number 60,000 in all of Egypt. He did not give the breakdown for Alexandria. (It would probably be at least 25,000.)

2. Claiming dual nationality, or claiming the nationality of the country of the family's origin, is based on a Lausanne Agreement of 1924 which was renewed or extended in 1937, 1956 and 1958. Under terms of this agreement all members of the former Ottoman Empire could claim the nationality of the land of their birth: Lebanon, Syria, Iraq, Jordan, Palestine, etc. The evidence required locally is merely a certificate from the Lebanese Patriarch (be he Orthodox or Maronite) or other confessional (Moslem) evidence that the family origin is Lebanese. Under this provision, Mr. Ziade said, many Syrians, whose grandparents or other relatives were born in Lebanon, have been claiming Lebanese nationality. The dual nationals are duly registered in Beirut with the Lebanese Foreign Office, which authorizes the Consular procedure.

3. The Lebanese business community in Egypt has been severely hit by the nationalization laws and Mr. Ziade estimated--with great reluctance in view of his lack of detailed documentation--that the amount touched here alone must exceed £20,000,000. He cited the following families as having been severely hit (over £500,000 each): Taghers, Bustany, Bassilis (two big families), Karam, Emads, Rabbaths, Boulads, Kassim, and Kaha. He estimates the Emads' losses (theoretical) at from £8,000,000 to £10,000,000. He figures the Tagher loss at from £4,000,000 to £5,000,000. He said that he had never heard of Mr. Kassim until this morning when the latter came in and told him that he had lost (theoretically) £500,000. He said he had no estimate of the number of small Lebanese who had invested their earnings in corporate shares that will be replaced with state 4% 15 year negotiable bonds.

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00722

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Authority NND 949570
By LD NARA Date 8/4/00

4. Reviewing the contributions of Egyptians of Lebanese origin to the Egyptian state, he said that too often people cited only their economic contribution. He stressed that at least 60 of Egypt's most prominent writers were of Lebanese origin. He emphasized that the Egyptian press today is largely manned by Egyptians of Lebanese origin. (He noted incidentally that a relative of his family, a Miziade, was a major Egyptian writer.)

5. He stressed that the general spirit among the Lebanese community was one of extreme pessimism. He said 20,000 Lebanese have left Egypt since 1956 and that most Lebanese, particularly Christians, are now planning or hoping to be able to leave Egypt, much though, in their heart, they would like to remain, as they love the country very deeply. They just feel there is no future for them and for others with their spirit.

a. He stressed that a persecution mania has entered the Lebanese community's collective mind: The Lebanese Christian, particularly, feels that the Egyptian wants to get rid of him for two reasons: (1) He is a Christian; (2) he is Lebanese.

6. Mr. Ziade was worried about the potential danger to Lebanon from United Arab Republic domestic policies. He also noted how often the UAR press alluded to the alleged facts that hashish and arms were being smuggled into Syria, through or from Lebanon, as if fearing the UAR might use this as a pretext for pressure on his country.

7. He also noted, ironically, that when Egypt announced its new progressive income taxation, Lebanese deputies proposed total abolition of any income tax in Lebanon. "We have a free spirit", he said, emphasizing that the income tax was the only direct tax levied in Lebanon.

8. Rumors of new developments to be expected in Egypt, Mr. Ziade said, were:

a. That the Egyptian money will be devalued and in its place two types of currency (on the old Nazi German model) will be created: one foreign pound valued at $2.00 (or the present free market value of the Egyptian pound) to be used exclusively as Egyptian foreign exchange; and one domestic pound, to be used only for internal trade. This measure would be designed to eliminate the flight of capital; and

b. That no jeweler will be permitted to manufacture or sell gold jewelry in which the gold content is greater in value than £50. (This does not include the cost of the workmanship.) He said he could not verify this rumor.

c. That the Egyptian pound will be devalued. He said this would not be done for some time yet, however as there is much to be arranged with the IMF, new currency must be printed, etc. In this connection he reported

GPO 902667

00723

DECLASSIFIED
Authority NND 949570
By CD NARA Date 8/4/00

that in Lebanon the Egyptian pound has fallen from 7.45 Lebanese pounds to 6.30 Lebanese pounds for one Egyptian pound. He regarded this as a serious drop.

10. He expressed serious concern for the future of the Syrian Armenian community after the revelation of the recent Armenian extremist activities against the UAR regime. He said he understood from the Arabic press that 400 Armenians had been arrested in Syria.

11. He called my attention finally to Mr. Heykal's editorial in today's "Al Ahram" on the differences between the UAR Social Revolution and the Communism of Soviet Russia.

GPO 902667

00724

DECLASSIFIED
Authority NND 949570
By CD NARA Date 8/4/00

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Mr. Mardig Zharbanelian, President, Armenian Orthodox Community, Alexandria
Mr. Rupert Prohme, American Consul

PLACE: Office of Mardig Zharbanelian Tanneries, Alexandria

TIME: August 8, 1961

SUBJECT: Impact of Recent Socialist Decrees on Armenian Community

During a call on Mr. Mardig Zharbanellian, President of the Armenian Orthodox Community this morning, I asked what he could tell me of the impact of the recent socialist decrees of the UAR government on the Armenian community. He replied that he could not estimate on the amount of shares taken in exchange for government bonds, nor estimate on the value of the factories taken. In general the Armenians were not among those owning factories that were taken over, but many, of course, have been affected by the conversion of shares into government bonds.

He said that Armenians were active in such enterprises as bronze works, shoe manufacture and sale, machine shop work, dyeing and cleaning establishments, tanneries (like himself), and numerous "artesan" works, such as jewelry, etc. He said none of these had been touched yet, with the exception of the huge Bata works (one of his big customers). He said that the shares he owned were mostly those of the Greek Gianaclis winery.

In general he said, "Our (the Armenian) future is linked inextricably with the Egyptian future. If the latter suffers, so will we."

He stressed that 90% of the Armenian community were Egyptian nationals; the other 10% were Cypriot, Turkish or Lebanese. He pointed out again that the Armenian community in Egypt was about 45,000 strong, of whom 30,000 were in the Cairo area and 15,000 in the Alexandria area.

With reference to the land laws, however, he showed much more concern, noting that the Armenian Orthodox (Gregorian) Church owned 5000 feddans of land, (1500 not cultivated, 3500 cultivated) which provides the income to support the church, the Community's church school, its various charities (Bienfaissance, Old Folks Home, Medical Dispensary, Scholarship fund for university youths, etc.) In addition he said the church owned many

GPO 902667

00725

DECLASSIFIED
Authority NND 949570
By CP NARA Date 8/4/00

buildings and even stores, whose income also went to support the church and its priests and services. He expressed grave concern that the government would change its mind (as it has four times in the last year he said) about the exemption of the church lands from the 100 feddan limit rule. He said for the moment, the Armenian Church (and the Copts) is exempt from this rule. He was not sanguine about the future, however.

Waxing philosophical and becoming more expansive as we continued our conversation, he dwelt on the contribution of the various minority groups to the Egyptian economy, stressing the greater precision and exactness in work of the Italians, Greeks and Armenians over the Egyptians in many types of work. He said the Egyptians invariably start well, but do not improve, rather tend to go downhill and to deteriorate in their work quality. He predicted that the nationalized and semi-nationalized firms might make an adequate showing (on paper) of the first six to eight months, but that by the end of the first year, he "wanted to see their balance sheets". He predicted all corporate profits would be down in 1962.

He touched on U.S. assistance to Egypt and wondered how we could keep on being so generous with the UAR when they slapped us in the face so often. Then, as an afterthought he wondered out loud if perhaps we wouldn't win out in the long run as a result. He said if a child were to approach a group of men, say in his office, the child would go first to the man who had given him the candy; i.e., to the one who had shown him kindness. He thought perhaps the Egyptians might behave like this when the chips were down, so to speak.

He indicated, further, that Armenians had no interest in Communism as such, as they were devout Christians, and only made peace with the Soviets to live. He said the Armenians were individualists and had their faults, but they were not communists.

GPO 902667

00726

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By CD NARA Date 8/4/00

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Robert G. Dundas, British Consul General
Harlan B. Clark, American Consul General

PLACE: American Consulate General

TIME: 11:30 a.m., August 8, 1961

SUBJECT: Effect of U.A.R. Socialist Decrees on Minorities

Mr. Dundas called to discuss the new socialist decrees and seemed most concerned over their effects on foreigners and local Christian minorities. He said that a few British interests were affected but it was too early to tell how much could be salvaged. From a practical standpoint he could see little difference now between the situation here and that in some Communist-dominated states, and it was mainly due to the supineness of the population that the Government was able to avert the worst forms of police terrorism. Nasser had, in effect, stepped into a vacuum and had remarkably little difficulty in keeping things under control.

What struck him most forcibly was the plight of Christians, and it seemed that the exodus of foreigners would increase to a degree that would precipitate a new refugee problem in the Mediterranean area. He was, in fact, wondering whether the Copts were not also being systematically reduced to a status which would be so intolerable that they, too, would seek to emigrate at every possible opportunity. Since only the Italians were really being welcomed back to their own country, and since there was a limit to which countries like Australia could accept new immigrants, he was thinking that the Western countries should perhaps be giving consideration to arrangements for the reception of the many thousands of "refugees" who would leave Egypt shortly. Even people who could manage to get abroad for a brief vacation might be expected to show up in our Consulates in such places as Beirut and Nicosia asking for visas. Could they qualify as refugees?

I said that whether the term "refugee" was really applicable to the individuals who left Egypt depended on a number of factors, such as whether the individual was in fact unable to return to Egypt, or could not go to another country. It would under our law be difficult if not impossible, for example, for a Greek subject, formerly a resident here, to qualify as a refugee even if he could show that he was unable to return to Egypt. The situation might be different in the case of Armenians and Jews, for example, who had been born in Egypt, and had only U.A.R. nationality and could not qualify for any foreign passport but were compelled to emigrate. Some categories of persons who had left Egypt after the 1956 hostilities could qualify as refugees under certain provisions of our Immigration Laws.

GPO 902667

00727

DECLASSIFIED
Authority NND 949570
By CD NARA Date 8/4/00

Perhaps the most interesting question was what treatment should be accorded to Copts who might, as Mr. Dundas suggested, be "forced" to flee Egypt, but on the basis of such information as I now had I could not believe that the present U.A.R. regime intended to exert pressure on Copts to emigrate. On the contrary, regardless of such favoritism as was being shown to Moslem employees in government-controlled enterprises, and reports of apparent discrimination against Copts, the public position of this Government was that all U.A.R. citizens have equal status, both under the law and in accordance with Islamic traditions as interpreted here.

I asked Mr. Dundas whether he knew of specific instances where Copts were being put in a position where they felt forced to flee, or whether the matter was simply that people preferred to emigrate. He replied that there was no doubt Copts felt under pressure here and were fearful for their future. Many if not most of them had been adversely affected by the land reform program and felt that the land tenure system was in for even more drastic changes. (He observed in an aside that where the British had a share of the responsibility for agricultural development in Egypt, they had endeavored to reverse the tendency towards fragmentation of available land into small farms, since it was obviously much more efficient to raise plantation crops on big farms. It seemed ironical that this regime was doing all it could to fragment the land into small farms, with all the difficulties and inefficiency that seemed bound to create.)

He said he had also heard some Copts had begun to go over to Islam. Regardless of anything else, there would doubtless be continuing Moslem endeavors in this country to proselytize the Copts. So far as specific instances were concerned, he only knew that in the recent take-over of firms by the government, a number of Christians had been dropped in the resulting reorganizations. He did not know the proportion of foreign and other Christians who had been affected. There was, moreover, no doubt in his mind that the biggest plums sought by the government in the recent nationalizations and the greatest number of individuals (i.e., mainly foreigners and Christians) were in the Alexandria district, which has always been more foreign and cosmopolitan than the rest of Egypt.

I said I agreed that the proportion of Christians and foreigners hit by the recent decrees had been high, but that I doubted whether it was the fact that they are Christians that had been the motivating or even the dominant factor. I knew many Moslems who now were talking of emigrating, and there were at least some indications that the conservative (so-called "reactionary") elements in the Moslem community, beginning with the theologians, were also in disfavor. I related a few of the rumors and reports we had heard. It seemed to me, I said, that the government's decrees had borne down hard on the "haves" among Moslems and Christians alike, and that in its desire to have all-pervasive control over the economy the government was endeavoring to mould the society in accordance with its own concept of what a "socialist-democratic-cooperative" state should be. Mr. Dundas said he wondered whether the regime was really as dedicated to Islam as it professes, or merely finds it a useful tool "for the time being". He added, however, that in view of

GPO 902667

00728

DECLASSIFIED
Authority NND 949570
By CD NARA Date 8/4/00

Nasser's aspirations to leadership in the Moslem world, he doubted whether he would ever quite abandon this posture. It was, in fact, this aspect of the matter that had troubled him as he speculated on the plight of and prospects for the Christians and particularly the Copts in Egypt. In response to my inquiry, he expressed the view that within another generation the Copts would be a smaller and even more beleaguered minority than at present, unless the present trend changed considerably.

In discussing the public reaction to the recent decrees, Mr. Dundas said that on the basis of his limited opportunity to observe the man-in-the-street, the mass reaction had been on the whole favorable. He had noticed that the crowds along the Corniche which trailed President Nasser on his return from the speech in the stadium (to which they had listened by radio) were more enthusiastic than when he had passed en route to the stadium. By skillfully pounding away at simple themes they could readily grasp, he seemed to win their support. We should not, of course, forget that these people are for the most part not only unenlightened but misguided as to realities in the modern world.

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FOREIGN SERVICE DESPATCH

38

FROM : American Consulate General
Damascus, U.A.R.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 16, 1961
DATE

REF : CERP Section 28 Item 10

1961 AUG 28 PM 2 46

For Dept. Use Only	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
	NEA-4			2	1			5				2	2		4	11
			OTHER	AGR	COM 10	FRB 3	INT	LAB	TAR 2	TR 3	XMB 4					
	REC'D 8-23			AIR	ARMY 4	CIA 10	NAVY 4	OSD	OCB	USIA 10	~~FO~~	FTC 1				

SUBJECT: Minister of Economy Discusses New Nationalization Laws

In a press interview (published in the Jundi Magazine, August 1, 1961, issue) the Syrian Region Minister of Economy DAYRI replied to rumors resulting from the recent nationalization of all banks, insurance companies, and some corporations.

1. Rumor: The public sector will not be able to run the nationalized establishments and consequently production will decline.

Reply: The public sector possesses great potential which the private sector does not have. The success of any project depends greatly on efficient management, wise financing, and good organization and the public sector possesses these.

2. Rumor: The revolutionary socialist laws are in conflict with the Islamic religion because they deprive the individual of his right to ownership.

Reply: The individual has the right to ownership and persons affected by these laws were justly compensated. Religion serves society as a whole before it serves the individual.

3. Rumor: Recent laws were issued because the government is running a deficit and the government nationalized some of the establishments to secure funds for its needs.

Reply: The policy which the UAR has adopted is socialism. The foundation of socialism is to provide for the participation of the public sector in the economy of the country.

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AUG 21 1961

LWS

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REPORTER

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FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN: noted	DATE OF ACTION	DIRECTIONS TO RM/R: File

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By CP NARA Date 8/4/00

The recent laws were not issued for material gain. On the contrary, some of the nationalized establishments were indebted to the government for huge sums of money. For example, the Shahbah Corporation of Aleppo was indebted to the government for six million Syrian pounds.

4. Rumor: The government can not find capable persons to operate the nationalized establishments.

Reply: Nonsense. The government can recruit more capable persons than the private sector.

5. Rumor: The recent laws were a step toward Communism and will cause the people to refrain from further investment.

Reply: The recent laws will enable the private sector to cooperate with the public sector and vice-versa. This is contrary to the Communist doctrine which restricts all aspects of the economy to the public sector. Our system is socialistic and we would like to see both sectors working together for the betterment of this country.

Nevertheless, if the private sector abstains from undertaking projects which were previously planned, the responsibility of the government in these cases is to undertake the projects, provide more jobs for workers, increase production, and eventually raise the national income.

We want the private sector to have confidence and trust in us and to be assured that we do not want to deprive anyone of his property. The government's wish is not to confiscate property. If the government had this intention it would not have provided compensations with interest to those who have been effected by the recent laws.

6. Inquiry: Will the recent nationalization affect the remaining stocks on the market.

Reply: The price of a corporation's stocks is an indication as to the soundness of the corporation itself. The government will encourage these corporations. The price of the stocks will be determined by the production and potential of the company.

COMMENT: The "rumors" discussed by Dayri are among the most common currently circulating in the Syrian Region. Dayri has discussed the same "rumors" on Damascus television recently.

FILED
Sept. 19

For the Consul General:

Philip E. Haring
American Consul

Copies sent to: Amembassy CAIRO
Amconsul ALEPPO

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AMERICAN CONSULATE GENERAL
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AUG 21 1961

NO. 40

August 21, 1961
ALEXANDRIA, U. A. R.

FROM : AmConGen ALEXANDRIA

TO : THE DEPARTMENT OF STATE, WASHINGTON.
Through AmEmbassy CAIRO

REF : ConGen D-16, July 25, 1961
886B.19/7-2561

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For Dept. Use Only	ACTION	NEA-4	INFO	DEPT	RM/R 2	REP 1	AF	ARA	EUR 5	FE	NEA	CU	INR 7	E 7	P	IO 4	ICA
				OTHER	AGR 1	COM 10	FRB 2	INT	LAB	TAR	TR 3	XMB					
	REC'D 9.2				AIR 6	ARMY 4	CIA 10	NAVY 4	OSD 5	OCB	USIA 10	NSA 4					

SUBJECT: Visit of Greek Foreign Minister Averoff to Alexandria

ATHENS-1
DAMASCUS-1

In a conversation August 18, Greek Consul General Byron THEODORPOULOS told the reporting officer that Greek Foreign Minister Evangelos AVEROFF had come to Alexandria and Cairo the week before for two main purposes: (1) To show the Greek communities here that the Greek government had an interest in their welfare; and (2) to emphasize to the Egyptian government that the Greek government was interested in the welfare of Greek subjects in Egypt.

Mr. Theodoropoulos said that Mr. Averoff had termed his visit "unofficial" and therefore called only on UAR Foreign Minister FAWZI, who, however, arranged for him to meet President Nasser and have dinner and luncheon with U.A.R. Ministers El CHAFEI (Labor and Welfare) and MOHIEDINE (Interior) respectively.

In his talks with the President and the Ministers, Mr. Averoff did not take a position of indignation about the losses of wealthy Greeks, but rather stressed his concern for the welfare of small Greeks in Egyptian firms who feared they were going to be thrown out of their jobs arbitrarily. He was reportedly reassured that no discrimination would be directed against Greeks as such, that they would receive equal treatment under the labor laws. Mr. Theodoropoulos pointed out that in all conversations all Egyptian senior officials, including President Nasser, gave repeated emphasis to the excellent relations existing between the two countries.

Although Minister Averoff left with public statements that he was very pleased with the results of his visit, he stressed in his "unofficial" conversations that he did not consider this brief visit as closing the book on Greek government interest in the ultimate treatment of Greek subjects in Egypt, but rather emphasized that he was prepared to return at any time to discuss the status and welfare of these subjects should the need arise.

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Mr. Theodorpoulos concluded that he felt the Minister had followed the most effective line that could be followed at the present time in view of the present mood of the U.A.R. government. He added that he was personally convinced that at least 5000 Greeks would leave Egypt within the next 12 months, the bulk of them going to Greece because present immigration opportunities in Canada, Australia, South Africa and Brazil were too limited. He expressed concern for the financial burden this migration would cause his country, due to the present economic situation there.

The memo of conversation is attached.

Harlan B. Clark (RP)

Harlan B. Clark
American Consul General

Enclosure: 1

Dept. Pass: Athens
Damascus

GPO 902667

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Page 1 of
Encl. No. 1
Desp. No.
From ALEXANDRIA

MEMO OF CONVERSATION:

PARTICIPANTS: Mr. Byron T. Theodoropoulos, Greek Consul General
Mr. Rupert Prohme, American Consul

PLACE: Greek Consulate General

TIME: August 18, 1961

SUBJECT: Visit of Greek Foreign Minister to Egypt

In response to questions, Mr. Theodoropoulos told me that Evangelos AVEROFF, Greek Foreign Minister, had come to Egypt for two main purposes: (1) to show Greek colonies here the Greek government had an interest in their welfare; (2) to show the Egyptian government that the Greek government was interested in the welfare of Greek subjects in Egypt.

He said that Averoff termed his visit "unofficial" and called only on Foreign Minister Fawzi, to whom he explained that he was here unofficially to visit the Greek colonies, that he was asking for no appointments with any Minister and certainly was not attempting to impose on the time of the President, but that, of course, if any Minister wished to see him, he was at their disposal. Fawzi took the hint. He was invited for dinner with El Chafei, Minister of Labor and Social Welfare; he had lunch with Minister of Interior Mohiedine and President Nasser received him.

The line he took with the President was not any incensed indignation at the losses of wealthy Greeks, but rather concern for the welfare of the small Greeks in Egyptian firms, who might be thrown out of jobs by any arbitrary actions. He was reassured that no discrimination would be directed against Greeks as such, that they would receive equal protection of the laws for labor. Averoff indicated that although he asked for nothing, the interest of the Greek government and his personal interest in the welfare of the Greek colony herewere continuous. Although he left pleased with the kind reception he had had and with the emphasis on good relations and friendship between the two countries, he nevertheless wanted it known that he was willing to come back at any time, if necessary, to discuss the status and welfare of Greek subjects.

Theodoropoulos stressed he felt the Minister had followed an effective line at the present time, in the present mood of the government. He then added that he felt at least 5000 Greeks would leave Egypt within the next 12 months and that most would go to Greece because Canada, Australia, South Africa, and Brazil offered only limited opportunities for emigration, now. He said he was discouraging them from going to black Africa in view of the trends there. I heartily concurred in that advice. He said his country, therefore, faces a serious problem of relocating and resettling a large number of Egyptian Greek subjects and he expressed his Government's

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unhappiness over the added burden to their struggling economy. I stressed my view that the elite Greeks from here would in a short while -- given one decade -- prove a tremendous increased human resource asset to Greece and that in the long run they would clearly enrich, not impoverish Greece.

He then added that unhappily eight Greeks had been arrested during the night and he had spent most of the morning trying to locate Major General GHANEM, chief of police, to determine the charges and disposition of the men. He said that in their work they had no apparent relations with one another and he feared the worst: the charge of espionage. I volunteered perhaps they were being charged with foreign exchange export or irregularities. He said he hoped the charges were those -- narcotics or anything but espionage. At any rate, two were shipping agents, one a skilled workman for the Pialopoulo Textile plant, another a chauffeur, others workers of various types.

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Action 3

Control: 18326
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ARMY
NAVY
AIR
RMR

FROM: Alexandria

TO: Secretary of State

NO: 119, October 28, 3 p.m.

ACTION CAIRO 97, INFORMATION DEPARTMENT 119

CONTEL 116 to Department 94 to Cairo.

Assets additional Alexandria residents being sequestered daily including some foreigners. Several Jewish families among them but not sufficient substantiate fears reported reference telegram.

Confirmed that some people including old ladies being summoned for GID questioning middle of night.

Details on reported arrests of military officers continue come in. One well-placed source says 700 officers who submitted petition Nasser asking return civilian government under Fuad Sarag-Al-Din are detained on Farouk estate at El Badrslien 30 miles from Cairo. Among several civilians reported arrested Alexandria recent days was Sayed Salem, former secretary Sarag-Al-Din.

CLARK

DT

3

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Department of State

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Origin NEA-17

Info: RMR-7
E-11

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NO. A-40

Aug 28 7 41 PM '61

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~~AMEMXXX~~:
ACTION: Amembassy CAIRO

Page 1 of 1 Pages

REF: Barrow letter to Foley of July 7, 1961

Egyptian assignment of U.S. Patent 1948 of M.R.-E. Patents Admin. B Lyons A-

Myron Cowen of law firm of Surrey, Karasik, Gould and Efron anxious to receive information in respect to subject their letter to Dept of July 5, 1961. Expedite reply.

D.C.

Rusk

~~XXX~~ RUSK

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Drafted by: NEA:NE: ~~XXXXXXXX~~ John R. Barrow:fn:8/28/61

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INCOMING TELEGRAM

Department of State

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37-39

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Control: 22627
Rec'd: September 1, 1961
8:45 a.m.

Cairo
Tel. 404

Action
NEA
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CIA
NSA
RMR

FROM: Cairo

TO: Secretary of State

NO: 404, August 29

FOR THORNE CITY BANK NEW YORK (#)

Understand President approves our removal nationalized list, however publication executive decree may take some time. NPE officials assure forward contract will follow immediately. Rydin goods cleared, my formalities probably complete Monday. Unless you prefer await execution decree and contract recommend my flying Beirut en route Vienna Tuesday, 5th, for for fill-in discussion Goodridge.

BADEAU

SMD/1

(#) Omission. Correction to follow.

Ma. gluck NCBNY 9/1/61 in transmit - 9/1/61 Tms -

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Control: 22627
Rec'd: September 1, 1961
8:45 a.m

FROM: Cairo - CORRECTED COPY

TO: Secretary of State

NO: 404, August 29

RMD/DM for handling agreement

FOR THORNE CITY BANK NEW YORK FROM STONBOROUGH

Understand President approves our removal nationalized list, however publication executive decree may take some time. NBE officials assure forward contract will follow immediately. Rydin goods cleared, my formalities probably complete Monday. Unless you prefer await execution decree and contract recommend my flying Beirut en route Vienna Tuesday, 5th for fill-in discussion Goodridge.

BADEAU

MLB

NCB informed 9/2/61 - FMS: eeeee

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886A.19/9-1461
SEP 15 1961
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NR-886A.14

FOREIGN SERVICE DESPATCH

28
NO.

UNITED ARAB REPUBLIC
DATE

FROM : Amconsul ALEPPO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

886A.19/7-3061

REF : Congen Dispatch 15, 7/30/61 and CERP D-10c

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			OTHER: AGR	COM 10	FRB	INT	LAB 8	TAR	TR 3	XMB 4					
	REC'D 9-29			AIR 6	ARMY 4	CIA 10	NAVY 4	OSD 5	OCB	USIA 10	DLF 1	FTC 1	NSA 4			

SUBJECT: Capital Flights to Beirut Continue

Businessmen in Aleppo confirm that the flight of capital from Aleppo to Beirut to escape restrictions on its possession and use here is continuing. The money is in some cases merely finding refuge in Lebanese banks, in others it is being used to establish or expand already existing branches of Aleppo firms in Beirut. These circles state that 2% continues to be the middleman's fee for smuggling currency to Beirut.

At the same time the Consulate General notes a new uneasiness in Aleppo circles that Lebanon may not continue to be the safe refuge for their capital which it has seemed since the creation of Syro-Egyption political union of 3½ years ago. Some businessmen report an increasing tendency of Syrian and Lebanese of their acquaintance to remove their deposits from Beirut to European banks. They aver there is a consensus that Lebanese authorities will be unable to resist popular demands much longer for socialist development on the model of the UAR, if, indeed Lebanon is not soon absorbed politically within the UAR.

COMMENT:

Since the union of Syria and the UAR, Aleppo businessmen have continued their long standing close relations with the Beirut business community. Many have relatives resident in Beirut who administer family enterprises there. Even since the recent rash of presidential decrees which fundamentally altered the operation of the Syrian economy, they have enjoyed intimate participation in a wide spectrum of Lebanese commercial and banking activity. While the Consulate General has noted a degree of unreality approaching hysteria.

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CC: Beirut, Cairo, Damascus

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approaching hysteria, in these business leaders when UAR policies are discussed, it is inclined to take more seriously their reports of capital flight and their reactions towards their own economic future in Lebanon. Finally, if the rate of 2% fee for smuggling capital between the two centers is accepted, it indicates the low risk involved and the continued inability of the UAR to control this capital flight.

Arthur B. Allen
American Consul General

TRG

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DEPARTMENT OF STATE

62

Memorandum of Conversation
Telephone

DATE: September 20, 1961

SUBJECT: Effect of Recent UAR Nationalization Decrees on Private Contracting Companies

PARTICIPANTS: Mr. Brice, Otis Elevator Company, New York
NE - Francois M. Dickman

COPIES TO: NEA (2)
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INR (8)
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American Embassy, CAIRO (1) (lcc)

16

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Mr. Brice said that the Otis Elevator Company had received a letter from its Egyptian associate, the Otis Elevator Company of Egypt, concerning the effect of recent nationalization decrees on private contracting firms working in the U.A.R. Mr. Brice said that the Egyptian Company, which operates as a contracting company to assemble and install elevators, was owned 70 per cent by the Otis Elevator Company of America and 30 per cent by the Tractor and Engineering Company. The latter was an Egyptian Company with 65 per cent of its shares owned by the Government of the U.A.R.

Mr. Brice said that, according to the information he had received, the operations of the Egyptian Company would be affected by two recent decrees. The first, No. 1203 dated July 30, 1961, specifies that U.A.R. Government contracts shall not be awarded to any private contracting companies or establishments unless the Government has a 50 per cent share participation in these companies or the total value of Government contracts handled by private contractors is less than LE 30,000 per annum. The second decree, issued on September 13, permits private contracting companies to seek inclusion in the public sector by submitting an application for this purpose to the Ministry of Economy and Treasury within ten days of the promulgation of the law. This law provides that the Minister of Treasury and Economy shall appoint one or more supervisors to study the technical, financial and administrative conditions of the company and prepare a detailed report. Should the inclusion of the company be approved, a decree would be issued by the President of the Republic announcing the acceptance and determining the State's share in the capital of the company. Shares sold to the

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to the Government would be paid in the form of U.A.R. Government Bonds drawing 4 per cent interest. Mr. Brice asked what action was being contemplated by other American companies, who were in a similar situation, and what the attitude of the State Department was with respect to the aforementioned decrees.

Mr. Dickman said that he was not aware that any other U.S. companies had discussed these two recent decrees with Department officers, perhaps because there are few companies with American capital which are engaged primarily in the contracting business in the U.A.R. With regard to the Department's attitude, Mr. Dickman said that the Department could not give advice on what action the Otis Elevator Company should take since this seemed to be a decision which the parent company would have to make. As far as the Department was aware, the recent decrees applied to foreign and domestic companies without discrimination.

Mr. Brice said that President Douglas of the Otis Elevator Company would be having lunch today with the Managing Director of Tractor and Engineering Company, a U.A.R. Government employee, who happened to be in New York at this time. President Douglas intended to sound out the Managing Director's views on what steps might be taken. Mr. Brice promised to keep the Department informed.

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FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT — NO. 177

TO : ~~THE DEPARTMENT OF STATE, WASHINGTON~~ — DATE: September 21, 1961

REF : CERP D-10, ~~12~~, 13f, 17.

SEP. 22 1961

50 For Dept. Use Only	ACTION	NEA-4	OEPT	RM/R 2	REP 1	AF	ARA	EUR 5	FE	NEA	CU	INR 7	E 7	P	IO	ICA 11
	INFO	OTHER	AGR 10	COM 10	FRB 2	INT 7	LAB 8	TAR 2	TR 3	XMB 4						
		REC'D 9-27	AIR	ARMY 4	CIA 10	NAVY 4	OSO 5	OCB	USIA	NSA 4	DLF 7					

SUBJECT: INTER-ARAB ECONOMIC RELATIONS - Effects of UAR Nationalization Measures on the Lebanese National Economy. Amman-1 Baghdad-1 Cairo-1 Damascus-1 Jidda-1

CONTENTS

SUMMARY

INTRODUCTION

I. Effects of UAR Nationalization Measures on -

1. Lebanese Banking Institutions
2. Lebanese Insurance Companies
3. Other Lebanese Business Concerns
4. The American and International Business Community in Lebanon
5. The Beirut Free Zone
6. The Beirut Money Market
7. Lebanese Labor
8. Lebanese Tourism

II. Lebanese Government Action

ENCLOSURE: Al-Ahram Editorial dated August 26, 1961.

* * * * * * * * * * * * *

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SUMMARY

Although Lebanese economic losses accruing from the UAR nationalization measures will probably not remain inconsequential, counterbalancing gains to Lebanon are expected to be registered owing to a current flight of capital and of managerial-technical skills from Cairo to Beirut. In the absence of a UAR labor attache in Beirut, no favorable response is likely to be

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elicited from the majority of Lebanon's organized workers.

Thanks to the warning given by the "Syrianization" measures of early 1961, Lebanese banks were able to take necessary precautions to reduce by as much as possible their losses in anticipation of the nationalization measures. Accordingly, the total possible banking loss to Lebanon will probably not exceed $3 million to $4 million, not counting wasted efforts. In the long run the UAR nationalization measures will probably reduce the illegal flow of capital between the UAR and the Lebanese market. Lebanese insurance companies are thought to have suffered a loss of approximately $200,000, not counting losses resulting from the cancellation of future operations. Official Lebanese estimates place the total assets of Lebanese nationals invested in trade, industry, etc. in the Syrian Province at about $50 million; in Egypt, at approximately $10 million. For the time being neither the Lebanese business community nor the Lebanese Government has any clear idea as to what final disposition will be made of Lebanese assets and interests in the UAR. Trade relations with the Egyptian Province were already practically non-existent on the eve of nationalization; those with the Syrian Province are expected to be further restricted.

As far as the American and international business community in Lebanon is concerned, Lebanon will probably gain from current transfers of Middle East business headquarters and personnel from Cairo to Beirut.

Illegal trade with the Egyptian Province, carried through the Beirut Free Zone at an annual volume of about $10 million to $16 million, may be completely stopped. If so, the annual loss to the Lebanese economy will be approximately $1 million to $1.6 million. Should nationalization of foreign trade occur also in the Northern Province, its effect would be further to restrict Lebanon's traditional middleman role and to reduce illegal trade across the Syrian border.

Rumors concerning an imminent unification of the Egyptian and Syrian currencies, strengthened by the announcement of the nationalization measures, caused a sharp decline of the Egyptian and Syrain pounds on the Beirut money market. This fact, together with the likelihood that Cairo intends to make propaganda capital of its nationalization measures, occasioned several UAR press attacks on Lebanon and its economic system, tending further to disturb normal economic relations between the two countries. An implied threat of retaliation against Lebanon in the field of tourism was published in Cairo at the end of August. Should the threat be carried out and a ban on the present trickle of Egyptian tourists to Lebanon imposed, the effect would be more psychological than economic from the Lebanese point of view. On the other hand, UAR interference with the flow of spending Syrian visitors to Lebanon may adversely affect the Lebanese economy.

In the propaganda field Cairo has attempted to win the sympathy and allegiance of the Lebanese workers for its cause by stressing the socialistic features of the nationalization measures. The overwhelming majority of the Lebanese trade union movement, however, must fear that an adoption of the UAR's new industrial policy would result in lowering the living standards of the Lebanese workers, now far superior to those prevailing in either region of the UAR. The situation could

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change, however, if the UAR made good on its long-standing promise to send a labor attache to Beirut. Until such time Cairo's new brand of socialism is not likely to elicit a favorable response from the majority of Lebanon's organized workers. END OFFICIAL USE ONLY.

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The Lebanese Government has made representations in Cairo on the ambassadorial level to obtain compensation for Lebanese assets nationalized in the UAR. At the Belgrade Conference in September, Lebanese Prime Minister SALAAM took up with President NASSER the question of compensation. The response, in both instances, was indefinite and procrastinating. Lebanon will, accordingly, continue making pro forma demands for compensation without expecting to receive anything, but keeping in mind that the UAR nationalization measures are likely to cause Lebanon not only losses but also gains in the form of capital and managerial-technical skills fleeing Cairo for Beirut. END LIMITED OFFICIAL USE.

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INTRODUCTION

The present despatch is an assessment, on the basis of official and unofficial information available at this writing, of the actual and possible effects of recent UAR nationalization measures on the Lebanese national economy, including the labor sector. As far as agricultural, petroleum and civil aviation activities are concerned, these effects may be summarized in a few sentences.

Landownership restrictions in Syria and Egypt, which are being progressively implemented, are likely to raise the prices Lebanon will have to pay to the Syrian Province for agricultural commodities. Lebanon depends on Syria for substantial food supplies. The shift from large-scale efficient farms to small family-operated holdings may be expected to result in higher production costs and therefore higher sales prices. No fair or accurate estimate of additional costs can be made at this time because of the difficulty involved in speculating on the extent of change in production levels. Social problems attendant upon rural feudalism and large landed properties, which have been a characteristic of the Syrian Province, do not exist in Lebanon. Consequently, no repercussions are expected at this time among Lebanese farmers, any more than was the case at the time of the 1959-60 distribution of certain large landholdings in the Syrian Province.

Only one oil company operating in the UAR -- the Anglo-Egyptian Oilfields -- was affected by the recent nationalization measures. No oil company operating in Lebanon was affected. Similarly, the nationalization measures have had no effect on Lebanese or regional civil aviation.

On the other hand, Lebanese banks, insurance companies, trading concerns, the American and international business community in Lebanon, the Beirut Free Zone and money market, and, to some extent, Lebanese labor, have been affected. Lebanese tourism has been implicitly threatened. As a result of these effects, the Lebanese Government has been compelled to take diplomatic action for the protection of Lebanese economic interests. An estimate of the effects, actual and possible, as well as an account of government action, appear in the following pages.

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I. Effects of UAR Nationalization Measures on:

1. Lebanese Banking Institutions

By Decree No. 117 of July 20, 1961 the UAR nationalized a number of UAR, Lebanese and foreign banks. All the Lebanese banks affected had branches in the Syrian Province only. Among the banks nationalized, Lebanese and foreign, the following were outstanding:

Lebanese
Banque Al-Ahli
Banque Libanaise pour le Commerce
INTRA Bank

Foreign (The Near East head offices of which are in Lebanon)
Arab Bank (Jordan)
Banque de Syrie et du Liban (French)
British Bank of the Middle East (British)
Banque Nationale pour le Commerce et l'Industrie (French)
Banque de la Compagnie Algerienne (French)
Banco di Roma (Italian)

No idea can be had of the loss suffered by Lebanon from the nationalization of these banks without going back to the UAR (Syrian) law, effective as of March 3, 1961, Syrianizing these same banks within a period ending on January 31, 1962. This law required that: (1) the capital of each of the above-mentioned banks be at least SL 3 million ($700,000); (2) the bank be placed under the control of the State Economic Organization, which takes over 35% of the shares; and (3) the remaining shares be registered shares and belong to UAR citizens. The President of the Republic, however, could authorize that only 75% of the shares belong to UAR citizens, and the balance to citizens of other Arab countries.

From this "Syrianization" law it resulted that these banks, although placed under the control of a government organization and guided by it, remained responsible for their operations. This abnormal situation was a cause for alarm.

It is reported that immediately after the promulgation of the Syrianization decree, the banks -- without availing themselves of the period granted -- reduced their capital to the minimum authorized (SL 3 million) and sold their shares to Syrians.

On July 20, 1961 the UAR nationalization law brought actual relief to these banks, because: (1) all concerns and individuals who had been reluctant to pay their debts to these banks, were now obligated to pay them to the State which had taken their place; (2) deposits had to be turned over to the State Economic Organization, which now became responsible for them; and (3) shareholders, who according to law had to be citizens of the UAR, were now to be paid by the Syrian Government.

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Lebanese and foreign banks having branches in Syria had carefully followed the banking situation in the Egyptian Province, and were able to take all necessary precautions to reduce by as much as possible their losses in anticipation of the nationalization of banks in Syria.

According to various banking sources, the total possible loss to Lebanon, resulting from the nationalization of these banks, will not exceed LL 10 to LL 12 million ($3.3 million to $4 million), including real estate and furniture.

Should the UAR authorities comply with the stipulations of the nationalization law, the loss to Lebanon's banks will be reduced to the difference between the interest rate (4 percent) stipulated by the law and what otherwise would have been the actual rate. (The law stipulates redemption of the value of these firms over a period of 15 years, at the rate of 4 percent per annum.)

The big loss is rather the wasted Lebanese efforts of the past to establish banking institutions in Syria. Nevertheless, Lebanese and foreign banks established in Lebanon will not be prevented from continuing their banking relations with Syria through UAR nationalized banks and from withdrawing normal profits. The Bank of America (Beirut Branch) may be given as an example. This bank is said recently to have made large loans to Syrians through Syrian banks. These operations are not, and may not be, affected by the nationalization law.

This is the short-run or immediate effect of the measures under consideration. The long-run effects cannot be forecast with accuracy. It is very likely, however, that eventually these nationalization measures will reduce significantly the illegal flow of capital between the UAR and the Lebanese market.

2. Lebanese Insurance Companies

The UAR nationalization law is thought to have caused Lebanese insurance companies a loss of some LL 600,000 ($197,000), not counting losses resulting from the cancellation of future operations.

There are three insurance companies with head offices in Lebanon: Al-Ittihad Al-Watani (Lebanese), Compagnie Libanaise d'Assurances (Lebanese), and Arabia Insurance Company (Jordan).

Al-Ittihad Al-Watani had a branch in Syria; but in June 1960 it began its liquidation, which was completed in June 1961; that is to say, before the Syrian nationalization law was promulgated.

Compagnie Libanaise d'Assurances had shares in Syria amounting to LL 300,000 ($98,360). This will allegedly be paid back over a period of 15 years at an interest of 4 percent. The company is now authorized to continue its work, provided that all the premiums collected are deposited and blocked in a Syrian bank. Withdrawals from the bank have to be authorized by the Syrian authorities. The company figures that its losses may well amount to LL 500,000 ($164,000) and does not expect to receive compensation from the Syrian Government, in spite of the law.

GPO 902667

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Authority NND 949570
By CD NARA Date 8/4/00

Arabia Insurance Company, although registered in Lebanon, is a Jordanian company. The premiums collected have been deposited and blocked in a Syrian bank. Although the actual loss is very small, the company considers the loss of "future operations and profits" as considerable.

3. Other Lebanese Business Concerns

Although the nationalization of major business enterprises in the Syrian Province was rather a surprise to the Lebanese and Syrian business communities, the former had been for the past two years greatly concerned about what was taking place in the Egyptian Province and were afraid of the possible application of similar measures in the Syrian Province. Almost all Lebanese business concerns having business interests in the latter region, as well as a good number of Syrian businessmen, started some time ago to withdraw from the Syrian market to the fullest extent possible. As a matter of fact, the trade activities of Lebanese businessmen in Syria had been gradually decreasing, and many such businessmen were under the impression that the Syrian market had already been lost to them, as the Egyptian market had been a few years earlier. Firms which had to continue to do business in Syria made every effort to restrict their activities and to minimize their investments in that area, since they were in no way certain about the future of such investments. Many among them, who in the past had to sell their goods on long-term credit, either refrained gradually from selling, except for cash; or were willing to dispose of their wares only on shortened credit terms. As an indication of Lebanese public opinion concerning the uncertainty of investments in Syria, it may be stated that banks in Lebanon, in evaluating the financial means of a certain local concern having business investments in Syria had, for the past year or so, been usually unwilling to take into consideration any assets owned by such firm in that country. In this connection, it may be noted that it has not been possible to obtain a reasonably reliable estimate of the total assets of Lebanese nationals in the Syrian Province. While Lebanese Government sources place the total assets of Lebanese nationals in Syria between 130 and 160 million Lebanese pounds (about $50 million), invested in agriculture, industry, trade and buildings; Beirut trade sources hesitate to give estimates, due to the absence of any basis at their disposal on which such estimates could be made.

In spite of the above-mentioned precautions taken by local firms, however, many Lebanese concerns having business interests in Syria, including some which were not nationalized, have been adversely affected and, due to the tense atmosphere which prevails at the present time in the Syrian Province, find themselves in an inactive state. Furthermore, the already restricted Syro-Lebanese trade relations are expected to be further restricted because of the present situation in Syria.

In view of the above, it is believed that the import of American and foreign products into the Syrian market will be even more adversely affected at least for some time to come, although it is hard to tell in advance to what extent such imports would be affected. It is expected, however, that imports will be restricted to prime necessities, as has already been the case in the Egyptian Province, and obtained, whenever possible, from countries for which currency would be available in Syria, or from those which grant more facilities, including cheaper prices and liberal credit terms.

GPO 902667

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Authority NND 949570
By CD NARA Date 8/4/00

Information reaching local business circles from Damascus indicates that preparations are being taken in the Syrian Province to establish five companies, controlled by the State, to handle the import of foodstuffs, clothing, machinery, maintenance articles, and services. These will be in addition to organizations which have already been established to handle the import of pharmaceuticals and the distribution of oil, as well as banking and insurance transactions. It is reported that individuals may have limited participation in the ownership of the shares of these companies, provided that the individual annual income therefrom does not exceed the amount of 54,000 Syrian pounds.

The nationalization of business interests in the Egyptian Province is said to have had minor though adverse effects on the Lebanese market. This was reportedly due to the fact that, when nationalization took place, Lebanese trade activities in the Egyptian Province had, due to certain trade restrictions formerly imposed in the Egyptian Province, practically become non-existent. This was not the case as far as Lebanese trade activities in the Syrian Province were concerned. It is believed in local trade circles, however, that additional restrictive measures, similar to those already applied in the Egyptian Province, will be put into effect in the Syrian Province in the very near future, with a view to exercising a unified economic or trade policy in both sectors of the United Arab Republic.

Official sources estimate the total assets of Lebanese nationals in Egypt, invested in trade and industry, at over 30 million Lebanese pounds ($10 million). It is reported that this amount excludes the value of Lebanese real estate holdings in the latter country.

For the time being neither the Lebanese business community nor the Lebanese Government has any clear idea as to what final disposition will be made of Lebanese assets and interests in the Syrian and Egyptian Provinces.

4. The American and International Business Community in Lebanon

Lebanon will probably gain from the recent UAR nationalization measures as far as the international business community, including the American community, is concerned. This community has now lost much of its former enthusiasm for Cairo as a Middle East headquarters. A number of firms have already moved or are moving from Cairo to Beirut. A good example of this is the American Foreign Insurance Association (AFIA), which employed fifty persons in its Cairo office and carried large bank balances there. Its operations, together with its fifty jobs and its bank accounts, are being transferred as fast as possible to Beirut. The Ford Motor Company, although contemplating no assembly operation, is concentrating more and more on Beirut for regional operations. Yale & Towne are being approached for manufacturing rights by a group whose original idea was to set up shop in Egypt, but now have switched to Lebanon. Variations on the above themes are being played in the office of the Embassy's Commercial Attache, almost every day.

GPO 902667

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Authority NND 949570
By CD NARA Date 8/4/00

5. The Beirut Free Zone

Enforcement of the nationalization measures in the Egyptian Province has stopped almost completely the inflow of illegal trade which the Lebanese were carrying on through the Free Zone of Beirut. Merchandise estimated at between LL 30 and 50 million ($10--$16.6 million) a year, was being smuggled into Egypt by certain agents who worked for commercial houses in Egypt in cooperation with Lebanese agents or businessmen. Many luxury goods, whose importation had been prohibited, were smuggled in through the Beirut Free Zone. The handling of import trade by government functionaries now puts a check on such illegal trade and will prevent it entirely, should the honesty of the functionaries withstand the temptation of bribery.

It is difficult to estimate the loss to Lebanon from the stoppage of such trade. It could be reasonably estimated between LL 3 and 5 million ($1-$1.6 million) a year on the basis of a net 10 percent profit as the share accruing to Lebanon.

Should nationalization of foreign trade occur also in the Syrian Province, Lebanon will be at the disadvantage of having the authority which directs Syria's trade and determines its channels, in the hands of the UAR Government and therefore subject to the immediate influence of its policies. Lebanon's port, airport, railway and middleman services to Syria will be subject to the immediate impact of Syrian political and administrative measures taken in this connection. For several years such measures have been increasingly directed in favor of dispensing with this Lebanese service. In addition, the traffic of illegal trade flowing from Lebanon into Syria will become relatively easier to control.

6. The Beirut Money Market

The Beirut exchange rates of the Syrian pound and of the Egyptian pound banknote and pound non-resident account have been fluctuating for some time within a narrow range. Between August 14 and August 19 these rates dropped more than usual. The extent of the drop was more serious in the case of the banknote exchange rate. The drop in the Egyptian non-resident account was more or less normal and continued after August 19 to this day.

Informed circles attribute this sharp decline to the spread of the rumor that unification of the Egyptian and Syrian currency into an Arab dinar was going to take place soon. The rumor was strengthened by the nationalization measures enforced in connection with banks in Syria. The same circles state that there were no permanent forces in the supply and demand conditions for these currencies on the Beirut market which could be held responsible for the sharp decline. The fact that the change in the banknote exchange rate was much more pronounced than in other exchange rates, gives evidence to support this view. As the rumor faded away, and possibly under the influence of reported buying of UAR currencies by the UAR Embassy in Beirut, the rates started moving up.

GPO 902667

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Authority NND 949570
By CP NARA Date 8/4/00

A review of these fluctuations in the rates of the Syrian pound, the Egyptian pound banknote and the Egyptian pound non-resident account, is given below for the period July 19 through September 13, 1961.

Date	LS Syrian	Egyptian BN	Egyptian NRA
7/19	83.10	591	705
7/21	82.5	588	700
8/18	71.0	415	650
9/13	72	515	625

The fact that these exchange rates declined in the Beirut money market and the likelihood that Cairo intends to make propaganda capital of its nationalization measures, occasioned several minatory UAR press articles on Lebanon and its economic system (see below Sections 7 and 8), tending further to disturb normal economic relations between the two countries.

7. Lebanese Labor

The long-term effects of recent UAR nationalization and socialization measures on Lebanese workers cannot be predicted as yet, since much depends on the success or failure of these measures. The direct response in Lebanon will be determined by political rather than by economic factors. There has been little discussion of this new policy in trade union circles, and barring its outstanding success in the UAR, little is expected.

The Lebanese trade union movement is not rigidly divided along confessional lines as are other institutions in the country. But like others, its most articulate leadership is predominantly Christian. The Christians, with few exceptions, are understandingly opposed to the "socialist" measures recently adopted in the UAR.

Such sentiments as have been voiced by anti-Nasser workers, predominantly Christian, take the form that the UAR nationalization measures limit the freedom of the workers and place the wealth of the country more firmly than ever in the hands of the government. This is not socialism, they say, but rather dictatorship, because it imposes certain solutions on economic and social issues which will lead to a restriction of political freedom. This means that the labor unions will be dominated completely by the government and lose their freedom including their right to strike. More importantly, they will have no voice in determining their wages and working conditions.

On the other hand, several of the top Moslem trade union leaders are lukewarm toward, or opposed to, these measures. Of this group the outstanding example would be Hussein Ali HUSSEIN, Shiite President of the Jami'at federation, the local affiliate of the International Confederation of Free Trade Unions (ICFTU). According to Hussein some Moslem officers of Jami'at affiliates favor the recent measures adopted in the UAR, but because of the opposite view held by their Christian colleagues, have refrained from making public statements which might result in creating further differences within the federation. Himself a long-time opponent of the Nasser-dominated Confederation of Arab Trade Unions (CATU),

GPO 902667

00752

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Authority NND 949570
By CP NARA Date 8/4/00

Hussein is scornful of the new UAR policy because of the restraints which he feels certain must accompany such a program. Such free-wheeling labor leaders as Hussein would be expected to be opposed to any system which would delimit their own uninhibited activities. This accounts in large part for the resistance shown to CATU attempts to bring the Jami'at into the Arab labor confederation.

The one Moslem union leader who would have been expected to beat the drums for Nasser's new program was Mohammad Khalil SHARQAWI, President of the CATU-affiliated Federation of Independent Trade Unions (FITU). Before his death on September 10, he was quoted by Al Gumhuria of Cairo as saying: "The socialist decisions applied in the UAR recently are a blow to reaction everywhere. The socialist and revolutionary resolutions taken by President Gamal Abdul NASSER are truly a social revolution. These resolutions have fulfilled the hopes and aspirations of the workers in the UAR."

Sharqawi has been succeeded as FITU President by a Christian who has not and is not expected to extol the virtues of the new UAR policy.

As for the other Lebanese CATU affiliate, the Federation of Unions of North Lebanon (FUNL), its present leadership has failed to break into print with any statements in support of the socialist policy of the UAR. Its President, Mustafa HAMZE, can be expected to pay lip service to the program which has been endorsed by CATU, but it is unlikely that he will prove to be capable of leading any campaign to institute such a system in Lebanon.

Gabriel KHOURY, President of the predominantly Christian United Unions of Employees and Workers (UUEW) has stated that, "If socialism means a regime similar to those of the Russians or of the Yugoslavs, or of any other regime based on the restriction of freedom, it is not compatible with the Lebanese situation. By adopting a regime based on nationalization and restriction of freedom, the fundamentals of the Lebanese entity would be destroyed. As lovers of freedom, ambition and personal property, the Lebanese should safeguard the principles of freedom in the economic, political and social fields. They should work hard to raise good citizens through the family, the school, and the labor unions, so that the citizen may know his obligations as well as his rights, as do citizens of the USA, the Scandinavian countries, France and Great Britain."

Mr. Khoury has sent letters to all Beirut banks asking them to find employment for Lebanese bank employees discharged by banks nationalized in the UAR. He is undoubtedly Lebanon's top trade unionist, a spokesman for his federation which is the country's largest and best organized, and chairman pro tempore of the General Confederation of Labor. His influence is not confined merely to Christians, but extends also into the higher levels of the FITU and the FUNL.

Another UUEW officer, Afif ZINATI, Federation Secretary has declared: "We in Lebanon have chosen 'classical democracy'. The definition of this democracy is government of the people, by the people, for the people.

GPO 902667

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Authority NND 949570
By CP NARA Date 8/4/00

This is the form of government suitable to us for several reasons. For ages Lebanon has been an asylum for lovers of freedom, and the Lebanese enjoyed freedom and practiced individualism even under regimes of terror and oppression. We, as conscious Lebanese and as loyal workers, have to choose between classical democracy and Marxist democracy. We obviously have chosen the first".

In addition to their unwillingness to surrender any of their existing privileges -- and the Lebanese trade union movement is by far the freest in the Middle East -- the overwhelming majority must fear that an adoption of the UAR's new industrial policy would result in lowering the living standards of the Lebanese workers which are far superior to those prevailing in either region of the UAR. Their unions have succeeded in reaching agreements with their employers providing their members with a series of wage gains and fringe benefits which, while unevenly applied, still outstrip similar gains made by trade unions in the neighboring countries.

Al Akhbar of Cairo has carried a series of articles purporting to describe the dissatisfaction of the Lebanese workers with their lot and appealing for the adoption of similar "socialist" measures in Lebanon. For instance, its issue of August 31 charged that Lebanese capitalists were financing a campaign in Beirut's "reactionary newspapers" against UAR socialist reforms. The article said that Lebanon's true economic situation is not reflected at the Casino du Liban but by "the miserable conditions" of Lebanese workers. Concluding, Al Akhbar asked: "Does not Lebanese capitalism admit that it is afraid Lebanese workers may ask 25% of the profits of the companies in which they work, a situation existing in the UAR now?"

Al Akhbar outdid itself on September 6 with a headline, "Lebanese Workers Demand Socialist Laws". The article claimed that "a large number of workers have undertaken riots and gone on strikes demanding that socialist measures applied in the UAR be also applied to Lebanese workers. They chanted slogans hailing Arab socialism and justice and submitted a note with their demands to the Government".

The Embassy's only comment to the above examples of Al Akhbar's reporting is that, except for the incessant honking of automobile horns, the streets of Beirut have been no noisier than they were before President Nasser announced his socialist decrees.

Shortly after the UAR "socialization" measures were announced, a leading employer told the American Ambassador that he expected the trade unions to make similar demands upon the Government of Lebanon. Thus far, his forebodings have not come to pass.

In spite of the apparent lack of interest in the UAR's labor reforms on the part of Lebanese trade unionists, the possibility must not be overlooked that this situation could change. Such a change could come about in the event the UAR makes good on its long-standing promise to assign a labor attache to its Beirut embassy. A UAR labor attache would be appointed primarily for the

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By CP NARA Date 8/4/00

(7. Lebanese Labor - cont'd)

purpose of influencing Lebanese unions to follow the CATU line, whatever it happened to be at the moment. If one were on the scene at this time, it is certain that he would be attempting to induce the kind of action referred to in the Egyptian newspapers. Until a UAR labor attache is sent to Beirut, the Embassy is of the opinion that Cairo's new brand of socialism will elicit no favorable response from the majority of Lebanon's organized workers.

8. Lebanese Tourism

A corollary effect of the UAR nationalization measures may be a reduction in the number of Egyptian tourists visiting Lebanon. If such a reduction does take place, it will be the result of UAR retaliation against the precipitous, post-nationalization depreciation of the UAR currencies on the Beirut money market (see section 6 above). Since, however, the number of the Egyptian visitors to Lebanon is rather small, and since the amount of currency an Egyptian tourist is allowed to bring to Lebanon is limited to LE 100 ($260), which is exchanged at the extremely favorable rate of LL 8 for LE 1 (the going Beirut rate of exchange on August 18 was LL 4.15 and on September 13 LL 5.15 for LE 1), the Lebanese economy is not likely to be hurt seriously by either a partial or a total absence of Egyptian tourists.

The threat of retaliation against Lebanon in the field of tourism was first raised by Cairo toward the end of August. On August 25 the Beirut press quoted a Cairo broadcast deprecating the activities of "exchange dealers in Beirut to exploit the recent revolutionary steps in the UAR by bidding on the Egyptian pound". On August 28 Beirut's independent Al Nahar summarized and interpreted an editorial, which has been published two days earlier in the Cairo Al Ahram, as a UAR warning to stop Egyptian tourists from visiting Lebanon. The Cairo editorial had advised Lebanon to limit "unnatural speculation" in UAR currencies and ended with the following veiled admonition: "It is in the interest of Lebanon to put a limit to this kind of speculation if she wishes to boost tourism, which benefits her more than any other country". (See Enclosure).

No official UAR action has been taken thus far to carry out the threat implied in the Al Ahram editorial. Should such action, as regards Egyptian tourists, eventually be taken, its effect would be more psychological than economic. During 1960, according to available statistics, out of 942,000 foreign visitors to Lebanon only 10,621 were Egyptians, who were outnumbered by Jordanians, Americans, British, Saudis, and West Germans, in that order. On the other hand, 379,000 of the foreign visitors in 1960 came from the Syrian Province, and a drastic reduction in their number could conceivably have an adverse effect on the Lebanese economy.

As far as Lebanese income from Egyptian tourists is concerned, it was negligible in 1960 and far below expectations in 1961. This was due, first, to the limitations placed in the Egyptian Province on the number of summer visitors to Lebanon; and, second, to the rate of exchange, highly favorable to the Egyptians, which is stipulated in the Lebanese-Egyptian Tourism Convention (LE 1 = LL 8). During the period June 1 to August 31, 1961, according to official statistics, only 2,475 Egyptian tourists visited Lebanon out of a

GPO 902667

00755

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Authority NND 949570
By CP NARA Date 8/4/00

total of 28,642 Arab summer guests, excluding Syrians. In view of this situation, the Lebanese Minister of Finance (who at the moment is the Phalangist leader Pierre GEMAYEL) addressed a communication at the end of July to the Lebanese Minister of National Economy, pointing out that, under the terms of the Lebanese-Egyptian Tourism Convention, Lebanon is suffering an annual loss of LL 350,000 ($113,000) to LL 400,000 ($130,000) and that "it may be opportune to reconsider the terms of this /tourism/ agreement".

No appreciable damage to the Lebanese economy may, therefore, be expected to occur from a possible ban by Cairo on Egyptian tourists to Lebanon. Should the UAR authorities, however, interpose intensified controls or other obstacles to reduce the flow of spending Syrian visitors to Lebanon, effects detrimental to the Lebanese economy might be expected to follow. END OFFICIAL USE ONLY.

Begin LIMITED OFFICIAL USE

II. Lebanese Government Action

During the Belgrade Conference of non-aligned nations in September, Lebanese Prime Minister Saeb SALAAM reportedly took up with UAR President Nasser the question of compensation to Lebanese business establishments which had suffered losses owing to Cairo's nationalization measures. Nasser is reported to have promised that Lebanese claims would eventually be considered, together with other foreign claims.

The Embassy has been informed by reliable Foreign Ministry contacts that Lebanon had, prior to the Belgrade Conference, approached the UAR Government on the ambassadorial level, simultaneously with Saudi Arabian and Greek representations, with a request for compensation. Since Cairo's answer, like Nasser's at Belgrade, was indefinite and procrastinating, Lebanon will, according to the Foreign Ministry contacts, continue making pro forma demands for compensation without expecting to receive anything. The Foreign Ministry sources also stated, in confidence, that, while the Lebanese losses accruing from the UAR nationalization measures will not be "inconsequential", gains to Lebanon are expected to be registered also, as at the time of the Suez crisis and the 3-power attack on Egypt, owing to a current and continuing flight of capital and of managerial-technical skills from Cairo to Beirut.

For the Charge d'Affaires a.i.:

E E Ramsaur Jr

Ernest E. Ramsaur, Jr.
First Secretary of Embassy

Enclosure: att/
Al-Ahram editorial dated August 26, 1961.

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DEPT: Please pass to: AMMAN, BAGHDAD, CAIRO, DAMASCUS, JIDDA.

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By CD NARA Date 8/4/00

ENCLOSURE 1

FORM FS-439a
6-1-60

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Page 1 of
Encl. No. 1
Desp. No. 177
From Beirut

BEIRUT MARKET

(Al-Ahram, August 26, 1961)

There are some who look upon Beirut Money Market as a free market. However, in the technical sense, it is only a market open for speculations.

The tourist trade plays a key role in the Lebanese economy. And as Arab countries take interest in making the economy of this sister-state thrive, they willingly permit tourism to her in spite of the scantity of hard currency as a result of spending it on the works of construction and rehabilitation. At the same time they ban tourism to other countries.

However, keeping Beirut Market open, leads to an unnatural speculation on the currencies of Arab countries.

The value of any national currency abroad is fixed on the basis of the balance of payments. This balance is continuously improving in the United Arab Republic in spite of her growing need of funds for development projects.

It is therefore natural that the rate of our currency in Beirut should improve. If, however, it is otherwise, we should find out the reason.

The low price of our currency there means that the amount circulated in the market is increasing. This is due either to smuggling or to the fact that those who are in possession of our currency attempt to dispose of it following recent revolutionary control on dealings so that our national economy may not remain in the hands of exploiters.

The major part of our currency circulated in the Beirut Market has not got there through natural channels as the amount allowed to every traveller is limited.

We may not care much for this decrease in the price of free speculations abroad. Yet this leads us to impose more control, which in turn would cause trouble to some, so as to prevent the entry of this currency in this country as it would be detrimental to our economy.

This speculation in Beirut Money Market undermines the Lebanese economy more than it perturbs us, for it mars the establishment of the Arab Common Market from which Lebanon would derive benefit more than any other country. It further diverts individuals from serious economic activity on which economic development is based, to speculation from which only a minority benefit.

It is in the interest of Lebanon that she should put a limit to this kind of speculation if she wishes to boost tourism which benefits her more than any other country.

/S/ F. Text

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ALEXANDRIA 106 886B.19/10-2061

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Control: 13271
Rec'd: October 21, 1961
8:06 a.m.

NEA MESSAGE CENTER 1961 OCT 21 AM 9 27

FROM: Alexandria

TO: Secretary of State

NO: 106, October 20, 5 p.m.

PRIORITY

ACTION DEPARTMENT 106, CAIRO 85

Bank accounts blocked some 200 Alexandria residents including prominent Moslems and some foreigners October 18 pursuant confidential instructions from Cairo. We hear accounts of individuals on two additional lists will be blocked soon. So far as we aware there thus far have been no arrests Alexandria.

Significance not clear but most common explanation is regime (1) wishes subdue all possible financiers of violent reaction aid (2) is desperately short of money and will confiscate these private funds.

Reaction business and professional group is one of quiet desperation with some saying move will "hasten Nasser's downfall".

CLARK

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By CD NARA Date 8/4/00

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OUTGOING TELEGRAM Department of State

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☐ CHARGE TO

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1961 NOV 3 PM 7 45
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Port Said 37

Origin
Info:

SEMIXIOX
ACTION: Amconsul PORT SAID 37

Code Room: Please repeat Alexandria's 116 of October 27, 1961,

Control 17467 to above post.

Bowles
BOWLES
ACTING

1964.19/10-2764

XR 122.1312
684A.86-L

microfilmed by RMR

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Drafted by: NEA:NE:FDickman:fn:11/3/61

Telegraphic transmission and classification approved by: NE - Francois M. Dickman

Clearances:

S/S-CR
NOV 8 1961 PM

FORM 2-59 DS-322

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Control: 17467
Rec'd: October 27, 1961
10:39 pm

Action
NEA

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NAVY
AIR
RMR

FROM: Alexandria

TO: Secretary of State

NO: 116, October 27, 9 p.m.

ACTION DEPARTMENT 116; INFORMATION CAIRO 94.

Jewish residents of Alexandria greatly disturbed by report they convinced is reliable that local tax authorities were instructed this week to list income and holdings of cash and property of all Jews both Egyptian and foreign. Jewish doctor was advised by friend in tax office to give any cash he had on hand to non-Jewish friends for safekeeping. Today honorary Consul of European country asked me to accept for safekeeping parcel of cash on behalf of local Jew who admitted to US for permanent residence and I refused. (He said he and other local European Consuls including Swiss and Italian accept property of their nationals for safekeeping this way.) He expects cash assets of at least all wealthy Jews to be sequestered in next few days. While others have expressed same fear to us, we unable to evaluate it.

MRJ

CLARK

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1961 OCT 23 AM 7 28

NEA MESSAGE CENTER

ALEXANDRIA 116 886B.19/10-2761 XR 684A.86B XR 122.1312

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Classification

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Origin

Info:

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ACTION: Amconsul ALEXANDRIA 101
" Amembassy CAIRO 628
" Amconsul PORT SAID 38

Alexandria's 116 (being rptd separately to Port Said)

Dept approves your action in refusing to accept property mentioned reftel. All official US personnel in UAR should be instructed take similar position if approached.

BOWLES
ACTING

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ALEXANDRIA 101 886B.19/10-2761 XR 122.1312

5

Telephoned by RMJr

Drafted by: NEA:NE:FMDickman:fn:11/3/61

Telegraphic transmission and classification approved by: NEA - Armin H. Meyer

Clearances:
SCS - Mrs. Pitts (subs)
NE - Mr. Strong

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Info E P USIA NSC INR CIA NSA OSD ARMY NAVY AIR COM RMR

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Control: 285
Rec'd: Nov 1 1961 7:40 PM

FROM: Cairo

TO: Secretary of State

NO: 797, October 31, 7 p.m.

1961 OCT 2 AM 11/2/61 NEA SAGE CENTER

ACTION DEPARTMENT 797; INFORMATION BEIRUT 138, TEL AVIV 32.

New list published today of additional 255 "capitalists" whose property sequestered. More than 100 are Jews, many of them jewelers or small businessmen who do not have great wealth. Majority remaining names are foreign in origin, particularly Lebanese-Syrian. Whereas list published October 21 had no Alexandria names, today's list has several: Snouha, Barcelon, Menasha, Basili. Copts are not hard hit numerically but list includes members of two prominent Coptic families well-known to Embassy, Robert Khayyat and Ernest Weesa, Assiuti landowners. Rich Muslim families also included such as Shoushas, Gazars, Sharawis, 49 Badrawis.

No new arrests announced, although Embassy continues to get reports some have taken place in addtion to those announced October 21. New list brings total of those whose property sequestered to date to 422. While almost all non-Jews on today's list seem to be very wealthy by Egyptian standards, there are still number of wealthy families we know of who have not been touched. One fairly reliable source says that before regime is finished total list of persons whose property sequestered will amount to 2000. In case of Jews, regime has gone further than with other groups and intention would appear be wipe out Jewish community altogether. Jewish landlord we know, himself on today's list, said there is not one Jew left in Egypt with any substantial property.

Announcement did not specify terms of sequestration or elaborate on reasons for action beyond referring to Muhyadins statement made when first list announced October 21.

(3)

MRJ

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CAIRO 797 886B.19/10-3161 XR 684A.86B

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1:15 p.m.

Action NEA
Info SS G SP L H E P USIA INR CIA NSA OSD ARMY NAVY AIR RMR

FROM: Cairo

TO: Secretary of State

NO: 825, November 9, 7 PM

ACTION DEPARTMENT 825, INFORMATION TEL AVIV 35

New list 171 sequestrations published AHRAM November 8. List composed entirely of Jews. Number are additional members of families which appeared on previous lists. Majority on today's list appear be small merchants, commission agents, some professionals.

Front page article in AHRAM November 8 Haikal mentioned that in addition to 240 arrests published on October 21, 22 persons were arrested at later date. This first public reference that has been made to arrests over and above 40 originally acknowledged, although there have been several reports that such have taken place. Haikal also said in same article that of those arrested 2 or 3 were subsequently released while 6 or 7 on sequestration lists have had their property restored to them.

BADEAU

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By CD NARA Date 8/4/00

OUTGOING AIRGRAM

Department of State

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NO. A-92

Info: RMR-7 NEA-9 USIA-15

SENT TO: Amembassy CAIRO

886B.19/11-1461

Nov 28 7 26 PM '61

Page 1 of 1 Pages

CIARO 92

In reply to your A-146 of November 14, inquiring about U.S. media comment on sequestration measures undertaken by the government of the U.A.R., it may be noted that the Department's Public Opinion Studies Staff does not make a practice of collecting comment and news items dealing primarily with the internal policies of various countries, unless these are specifically related to U.S. interests.

The very limited media attention noted on the topic of U.A.R. sequestration consists entirely of items which have originated in Cairo: two articles by Jay Walz in the New York Times (Nov. 1 and 12); two AP dispatches in Washington Post (Nov. 1 and 6); and one by Robert W. Smith in Minneapolis Star of Nov. 10. No editorials have been noted.

AP's George McArthur interprets the property confiscations and the subsequent calls for elections and a new constitution as "a clear indication" that Nasser is "keenly aware of declining public support as a result of the Syrian revolt. He plainly hopes his reforms will restore public confidence and win time to strengthen his hand."

To Robert W. Smith, the sequestration decrees provide "an excellent example" of the "handy, ideologically-tinged pragmatism" of the "Arab socialism" being constructed by President Nasser and his revolutionary comrades in the U.A.R. When property of the wealthy is taken by Cairo, it is not nationalized, Smith notes; title remains in the original owner, who receives by "pension" a portion of the rents. So, under Arab socialism, says Smith, "you can still have a good deal of private ownership of capital and the means of production without in the least interfering with government control of those means of production."

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PAGE 1 OF 1 PAGES

FROM: Amembassy CAIRO

TO: Secstate WASHINGTON

Date Sent: 11-14-61
Rec'd:

NO: A-146

Nov 22 9 29 AM '61

Subject: Comment on UAR Nationalization Decrees

~~P/POS~~
POS

Attn: P/POS

The Embassy would appreciate learning whether there has been any significant U.S. media comment on the recent series of sequestration and nationalization measures undertaken by the government of the U.A.R.

BADEAU JJH

BUREAU OF PUBLIC AFFAIRS	INFO	ACT
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Department of State

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L-3
E-11
INR-8
CIA-16
Com-6
TR-5

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NO. A-88

Nov 20 7 58 PM '61

SECRET:
ACTION: Amembassy CAIRO

Page 1 of 1 Pages

Dept has had inquiries from private individuals and companies concerning implementation UAR decrees regarding compensation for shares formerly owned in Egyptian companies. No information is available as to whether Government bonds to be paid as compensation have yet been issued, or whether such bonds will be negotiable and, if sold, whether proceeds may be converted into foreign currencies. Questions have also been raised as to effect of sequestration of assets in the UAR owned in whole or in part by US citizens. Are procedures for legal redress provided?

Embassy requested prepare detailed report giving text all pertinent laws and/or decrees. Report should include any available information relevant to an evaluation of adequacy of remedies and proposed compensation arrangements.

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886b.19/11-3061

~~November~~ 30, 1961

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Imam Ahmed's Advice to the Arabs

Enclosed is one copy of an eight-page poem composed by the Imam, published November 6, 1961, addressed to "Arabs everywhere." (The Legation will forward additional copies later if they can be obtained.)

The royal poem is a scarcely-veiled attack upon the nationalizations and confiscations of private property effected in NASSER's Egypt. The Imam regards those as conflicting with the precepts of Islam, and urges that conditions be returned to the status quo ante. He appeals for unity among Arabs based upon sound Koranic principles.

Robert W. Stookey

Enclosure as Indicated.

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